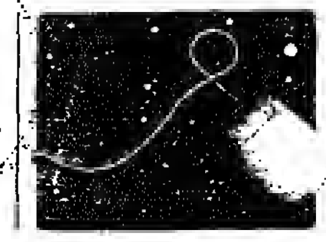
FINANCIAL TIMES

Kazakhstan
"All the pollution comes to us"
Page 4

Oneximbank
Capitalising on Kremlin contacts
Page 2

Saab
Last chance for GM's premium brand
Page 14



Hyperspeed history
Instant fortunes made in web time
Book review, Page 8

World Business Newspaper http://www.FT.com THURSDAY AUGUST 7 1997

Electrolux loses $113m on impact of restructuring

Sweden's Electrolux suffered a SKr911m ($113m) second-quarter loss as it absorbed the impact of a SKr2.5bn restructuring charge. In June the group announced a two-year plan to raise profitability by cutting 12,000 jobs worldwide. The deficit – which compared with a SKr812m profit for the quarter last year – reflected the decision to book the entire projected cost of the rationalisation in the quarter. Page 11

FTSE surges past 5,000: London's FTSE 100 index has surged past 5,000 for the first time, as hopes rose that the Bank of England may not raise interest rates. The pound dropped nearly three cents against the dollar to its lowest level in nearly five months, and also shed well over five pfennigs against the D-Mark. Page 11; Sterling's strength, Page 6

Nazi gold conference: The UK government will host an international conference on Nazi gold in December. Foreign Secretary Robin Cook said the conference would aim to pool information relating to gold looted by the Nazis from both countries and individuals. Page 2

Brussels probe into KLM: The European Commission will hold hearings next month into allegations that Dutch airline KLM engaged in unfair practices against UK carrier EasyJet. Page 2

Jardine shares surge: Jardine group share prices rose sharply as Li Ka-shing's purchase of stakes in two of its main subsidiaries fuelled expectations of a bid, a strategic alliance, or the re-listing of the conglomerate's businesses in Hong Kong. Page 11

Internet record plan: Three of the largest US record companies – Warner, Sony and BMG – plan to sell almost all their releases directly over the internet. The decision may cause other companies to speed up their plans to sell on the internet. Page 10

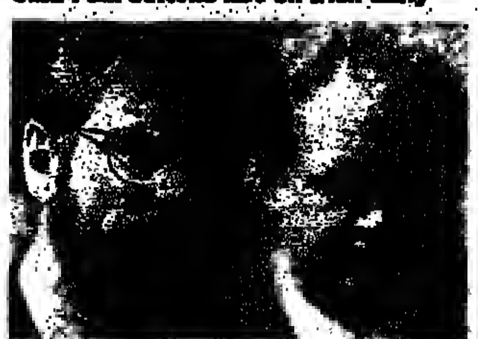
Strike paralyses Venezuela: Venezuela's first general strike for eight years paralysed large parts of the economy. The public transport shutdown forced millions of workers to stay at home and closed most businesses. The 12-hour stoppage was called by the Venezuelan Workers Confederation (CTV) to protest against rising prices. Page 10

Vietnam oil search fails: MJC Petroleum, a consortium in which Mobil Oil is the largest partner, has abandoned an oilfield off Vietnam after a three-year exploration yielded nothing. The stoppage at the Thanh Long field is another blow for the country's hydrocarbon prospects. Page 20

Chinese economy 'to overtake US': China's economy will become the world's largest by 2030, overtaking the US, says a study by China's Academy of Social Sciences, a government think tank. This is the first time an official Chinese institution has forecast that China's continuing economic growth will carry it past the US within a generation. Page 3

Clinton cuts deficit forecast: President Clinton said his administration had revised its 1997 budget deficit calculations down by $13bn to $37bn. He predicted there would be a budget surplus in excess of $20bn by 2002, which should be maintained for several years. Page 5

Sinn Féin softens line on Irish unity



Leaders of Sinn Féin, the political wing of the IRA, indicated a softening of position at their first talks with a UK minister since the new IRA ceasefire. Party president Gerry Adams (above left with Martin McGuinness) repeated Sinn Féin's objective of "an end to British rule", but suggested republicans could accept a settlement which fell short of Irish unity. Page 10

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	8,229.58	(+42.04)
NASDAQ Composite	1,629.90	(+7.97)
Europe and Far East		
CAC40	3,037.06	(+52.99)
DAX	4,336.30	(+32.71)
FTSE 100	5,026.2	(+65.5)
Nikkei	19,702.67	(+187.62)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.259%
Long Bond	101⅞
Yield	6.472%

OTHER RATES

UK: 3-mo Interbank	7⅛%	(same)
UK: 10 yr Gilt	101⅞	(101⅛)
France: 10 yr OAT	99.15	(98.83)
Germany: 10 yr Bund	102.42	(102.13)
Japan: 10 yr JGB	106.2581	(106.557)

NORTH SEA OIL (Argus)

Brent Dated	$19.16	(19.42)

GOLD

New York: Comex		
(Aug)	$318.2	(320.4)
London:		
close	$320.15	(319.75)

DOLLAR

New York: lunchtime		
£	1.6010	
DM	1.86905	
FFr	6.3475	
SFr	1.53165	
Y	118.925	
London:		
£	1.6011	(1.5274)
DM	1.8745	(1.879)
FFr	6.3278	(6.343)
SFr	1.5288	(1.5335)
Y	118.90	(118.12)
Tokyo close:	Y 119.5	

STERLING

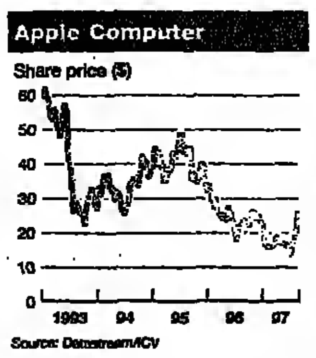
DM	3.0012	(3.0577)

9 770174 736142 32

Surprise deal as Steve Jobs returns to board of company he founded 23 years ago

Apple to ally with arch-rivals at Microsoft

By Louise Kehoe in San Francisco



Source: Datastream/ICV

Apple Computar, the struggling personal computer industry pioneer, yesterday announced a surprise alliance with Microsoft, its bitter rival.

To cement their partnership, Microsoft took a small minority stake in Apple, for $150m.

Mr Steve Jobs, who is leading an effort to resurrect Apple, the company be co-founded 23 years, said Microsoft and Apple should put aside their past differences.

Speaking before a crowd of Apple supporters at the MacWorld trade show in Boston, he said: "We have to let go of the notion that for Apple to win, Microsoft needs to lose."

He also announced that be would join Apple's board of directors, cementing his renewed ties with the company which he was forced out of in 1985. He has acted in the unofficial capacity of a "part time adviser" to Apple's managers and board since December.

Apple also added three new board members, all with experience in the computer and software industry: Mr Larry Ellison, chairman and chief executive of Oracle, the world's largest database software company; Mr Bill Campbell, president and chief executive of Intuit, the leader in personal finance software; and Mr Jerry York, former chief financial officer of International Business Machines.

Three board members resigned, inclnding Mr Mike Markkula, who provided the original financial backing for Apple and has sat on its board ever since. Mr Markkula has long been at odds with Mr Jobs and bis departure was not unexpected.

The alliance with Microsoft took Apple investors by surprise. Microsoft, which dominates the personal computer market with its Windows software, is widely regarded as Apple's nemesis.

Microsoft will invest $150m in Apple, buying shares at "slightly below the market value". The investment had been part of a package of collaborative agreements proposed by Mr Jobs, according to Microsoft.

These include Microsoft's agreement to continue to develop and ship office applications for the Apple Macintosh. In return, Apple will bundle Microsoft's internet browser software, Internet Explorer, in future Macintosh products.

The companies also reached a broad patent cross-licensing agreement. Microsoft said there were no other "material" financial elements in the alliance. However, Microsoft is expected to pay patent royalties to Apple.

Steve Jobs announcing the deal in front of stunned Apple supporters in Boston yesterday Picture: AP

Mr Bill Gates, Microsoft's chairman and chief executive, said: "In 1984, Steve Jobs and I stood together when Microsoft annnunced Microsoft Excel, an application that is widely credited with helping to define the potential of the Mac as a great applications platform."

"Today's announcements underscore our continued belief in the Mac as a platform for applications and leading-edge Internet technologies. Microsoft has millions of customers who rely on Macintosh technology and they can be assured that Microsoft products for the Mac will continue to be available."

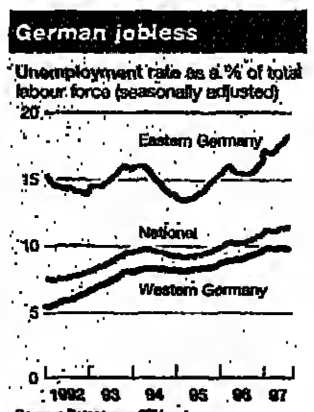
Apple still lacks a chief executive, following the forced resignation last month of Mr Gil Amelio. Apple said a search

Continued on Page 10
Reports and analysis, Page 12
Editorial comment, Page 9
Lex, Page 10

German jobless hits record high

New setback for Kohl as east-west gulf continues to grow

By Ralph Atkins in Bonn



Source: Datastream/ICV

Hopes of a break in the relentless upward trend in German unemployment were set back yesterday by figures showing a 17,000 jump in July's seasonally-adjusted total to 4.396m – another post-war record.

The increase added to tha political difficulties faced by Chancellor Helmut Kohl following the collapse last week of his government's tax reform plans and pointed to further difficulties in meeting the financial criteria for would-be members of the planned European single currency.

It also highlighted a growing imbalance between eastern Germany – where the economy remains weak, in spite of massive investment – and the west, where there are signs of unemployment stabilising. Mr Bernhard Jagoda, president of the federal labour office, said there was an "increasing lopsidedness" between the two parts of the country.

However, labour office officials warned that the differences could have been exaggerated by the transfer of unemployed people registered in west Berlin from the west German figures into those for the east.

The politically sensitive unadjusted unemployment figure last month rose by 131,800 to 4.354m – a record for the month of July. Seasonally adjusted figures released by the Bundesbank put eastern German unemployment at 18.2 per cent of the workforce, up from 17.8 per cent in June. For the west, the figure fell to 9.8 per cent from 9.9 per cent the previous month.

The gloomier-than-expected numbers reversed growing expectations that the Bundesbank would try soon to raise short term interest rates to shore up a weak D-Mark.

However, it is likely that later this month Bonn will have to revise upwards its forecast that unemployment will average 4.285m this year. In turn, that could signal fresh difficulties for Germany in meeting tha public sector deficit target of 3 per cent of gross domestic product for countries wishing to join the proposed single European currency.

"Evan if unamployment remained unchanged during the last five months of 1997, the jobless total would average 4.36m," said Mr Robert Prior-Wandesforde, European economist at HSBC James Capel in London. The difference compared witb the government forecast would add 0.1 per cent of gross domestic product to the budget deficit, he added.

Rising unamployment has resulted from sluggish domestic demand, widespread rationalisation by German industry and the shift of production abroad to take advantage of lower labour costs.

July's figures could also have been affected by the addition to the total of those on short-time working or on job creation schemes.

India shelves plan to admit foreign insurers

By Mark Nicholson in New Delhi

International insnrers' attempts to enter the Indian market suffered a serious reverse yesterday wben the Delhi government was forced to withdraw legislation intended to open the business to the private sector.

The bill, designed to grant the country's year-old insurance regulatory body statutory powers, was pulled after the main opposition party insisted on an amendment banning foreign insurance companies from entering the sector. Delegates in Delhi for a conference on insurance liberalisation were dismayed. "Where does that leave the 500 of us here today? Very disappointed," said Mr John Brice, India representative of General Accident, the UK insurer.

Eleven foreign insurers bave established joint ventures in India in the past two years in readiness for the sector's eventual liberalisation. At least half, including Commercial Union, General Accident and CIGNA, have said they boped

Continued on Page 10

Hilton Hotels lifts offer for ITT to $8.3bn in bid battle

By Richard Tomkins in New York

The six-month bid battle for ITT, the US hotel and casino company, took a fresh turn yesterday when Hilton Hotels sharply increased the value of its unsolicited offer from $6.5bn to $8.3bn.

Mr Stephen Bollenbach, Hilton's chief executive, said the new offer was "superior" to ITT's plan to break itself up into three companies and buy back $2.1bn worth of its stock, announced last month.

"In view of our revised offer and the compelling economic benefits to be realised by bringing together these two companies, the time has come for Hilton and ITT to reach a prompt agreement to expedite this transaction," said Mr Bollenbach.

However, Wall Street analysts said the offer was unlikely to win over ITT's shareholders. "They are not aven in the ball game yet," said Mr James Murren, an analyst at Deutsche Morgan Grenfell in New York. "But at least they are in the parking lot."

ITT, which has refused to negotiate with Hilton, said its board would respond to the offer in due course.

Hilton said it was lifting the value of its two-stage offer from $55 a share, the price set when it launched its bid at the end of January, to $70 a share. The new price is the same as that offered by ITT in its buy-back proposal. Hilton said the higher offer would not dilute next year's earnings per share.

Its tender offer consists of $70 a share in cash for enough of ITT's shares to take it to the 50.1 per cent level. Then, it proposes to complete the merger by giving ITT's shareholders $70 worth of Hilton stock for each of their remaining shares.

Hilton said its revised offer represented a premium of 64 per cent to ITT's share price before its January bid. But analysts said it represented too small a premium over ITT's recent share price to stand a realistic chance of succeeding.

ITT'a shares surged 7 per cent to $66⅝ last month after the company announced plans to break up into three companies and to buy back 26 per cent of its shares at $70 each.

Since then, Hilton's shares have slipped back. But yesterday's announcement lifted them $1⅝, or 3 per cent, to $64⅞ in early trading, while Hilton's shares lost $⅞, or 3 per cent, to $31⅞.

Lex, Page 10

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

KLM faces unfair practices hearing

By Michael Skapinker, Aerospace Correspondent

The European Commission is to hold hearings next month into allegations that KLM, the Dutch airline, engaged in unfair practices against EasyJet, the UK-based low-cost carrier.

The Commission has issued a statement of objections against KLM's behaviour. Commission officiala raided KLM's Amsterdam offices in February after complaints from EasyJet that the Dutch carrier was trying to price it out of the market.

EasyJet complained to the Commission after the discovery of an internal KLM memorandum which spoke of the need "to stop the growth and development of EasyJet and to make sure that this newcomer will not be able to secure a solid position in the Dutch market". KLM did not deny the existence of the memo but said it was not an official document.

EasyJet, which has been flying since 1995, is owned by Mr Stelios Haji-Ioannou, a Greek shipping millionaire. Operating from London'a Luton airport, it has attempted to emulate Southwest Airlines of the US by offering a no-frills, cut-price service. Passengers do not receive meals on board although they can buy drinks and snacks.

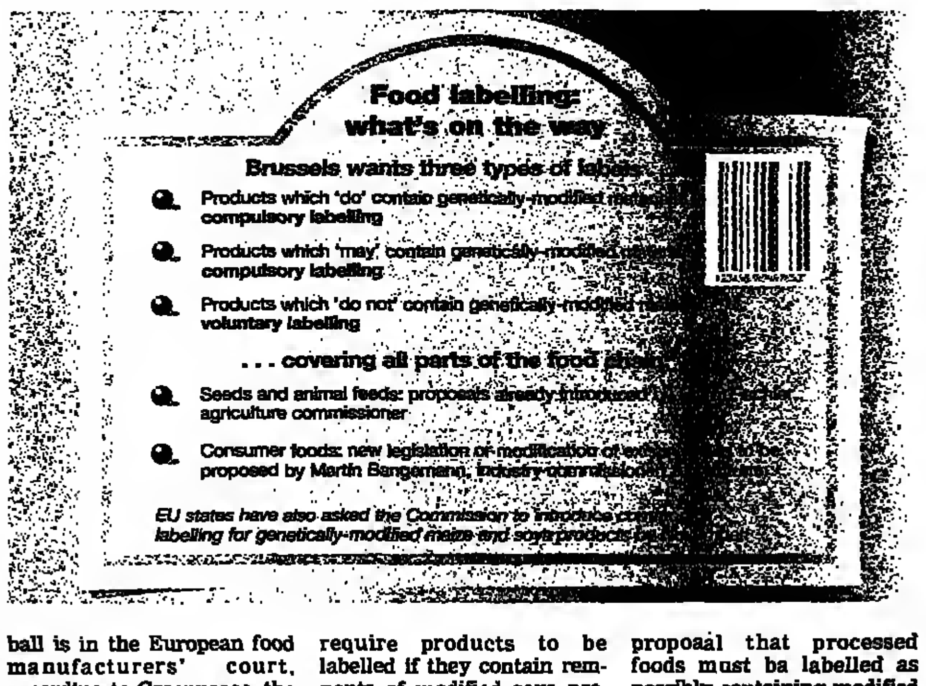
EasyJet, which began by flying from Luton to Scotland, received strong Dutch objections when it began services to Amsterdam's Schiphol airport last year. Schiphol authorities wrote to Mr Haji-Ioannou to say that they thought there were already too many flights between London and Amsterdam.

An airport official said: "I strongly advise you to reconsider your current plan and maybe look into more profitable European destinations. We would not like to see one of Europe'a pioneering low-fare carriers go under because of a highly competitive and unprofitable Amsterdam operation."

Mr Haji-Ioannon has alleged that, when he did launch his Amsterdam services, KLM cut fares on the route in response. He has alleged that KLM has contravened Article 86 of the Treaty of Rome, which prohibits abuse of a dominant market position. KLM has said it has no intention of trying to force EasyJet out of the London-Amsterdam market.

The airline said: "KLM is a commercial company and, within the limits of what is economically acceptable, it uses all commercial possibilities in an active and creative manner. KLM denies that it has a dominant position. At Schiphol airport, KLM experiences direct competition from more than 90 other airlines. The battle to win tha favour of the passenger is a daily and global one."

EU label rules give food for thought



For Nestlé, Europe's biggest food manufacturer, the European Union's decision last week to adopt common labelling rules for products containing genetically modified soya and maize could not have come soon enough.

"We very much appreciate that the [EU] has decided to do this," said Mr Claus Conzelmann, biotechnology expert at Nestlé's Swiss headquarters. "But we would have been happier if it had been done a few months earlier."

Both crops were licensed for sale in the EU last year after being declared safe by the US authorities and the European Commission.

But consumer and environmental groups still have concerns over the products' long-term effect on human health, and say foods containing them should be labelled to allow consumers to choose whether they want to eat them. Companies processing the crops have been operating in a no-man's-land in the absence of an EU decision on labelling. As the crops were already on the market, they were not covered by labelling requirements introduced for genetically modified consumer foods by the EU's Novel Foods Regulation, which took effect in May.

Now Nestlé and other manufacturers have a further wait – to see what wording member atates agree for the labels, and whether crop derivatives such as oil will be covered.

The common labelling rules agreed last week are due to take effect in November, bnt some companies fear it will take longer.

Meanwhile, production of genetically modified crops is expanding rapidly. About 12 per cent of this year's US soybean crop is genetically altered, against 2 per cent last year.

The labelling move on maize and soya was demanded by a committee of EU states' food experts. It will run in advance of broader Commission attempts to replace the EU's piecemeal labelling rules with a more coherent approach covering the entire food chain, from seeds and animal feeda to consumer foods. Brussels' desire to act on the issue stems partly from the need to bring discipline to member states which have been making their own rules on the issue.

It has had to tread a fine line between the sensitivities of some states to the new technology and the threat of a trade war with the US if imports are restricted.

The 20 European commissioners last month reached a broad consensus to work towards a system requiring compulsory labelling for all products which "do" or "may" contain genetically modified organisms, and a voluntary scheme for products which "do not" contain them. Propoaed legislation will be unveiled in the autumn. The US government welcomed the fact that the Commission had dropped earlier proposals that genetically modified crops be segregated from conventional ones from the planting stage. Backed by its grain lobby, the US had fiercely resisted the demand.

Brussels is hoping some suppliers will voluntarily offer produce guaranteed unmodified, which could command higher prices in the way organic food does. If consumers are worried about genetic engineering, this market should grow.

US officials in Brussels also welcomed moves to harmonise labelling but said labels must not carry any implication that biotechnology poses problems. "We want to see how this is going to be applied before we know if we approve or not," said one official.

For the EU the question is whether consumers will accept genetically engineered food products. The ball is in the European food manufacturers' court, according to Greenpeace, the environmental group. "If they want to be able to reassure their customers, they've got to find a way of testing for genetically modified material," said Mr Douglas Parr, who heads Greenpeace'a campaign against genetic engineering in the UK.

Soybeans are the most significant crop. The EU is largely self-sufficient in maize for human consumption, but imports most of its soya from the US. Soybeans and their derivatives are used in an estimated 60 per cent of processed foods.

In the legal interregnum, Nestlé has decided to adopt Dutch regulations for its soya processing. The Dutch require products to be labelled if they contain remnants of modified soya protein, but not if the material has disappeared in processing. This means that Nestlé will label soya protein and soya flour – used, for example, in tofu and meat dishes – starting in the autumn. The labels will say: "Modified by modern biotechnology." But it will not label soya oil, which accoonts for the bulk of the market and is used in additives such as lecithin for baking and confectionery.

Mr Conzelmann estimated only 5 to 10 per cent of processed foods containing soya would have to be labelled if this system were adopted across the EU.

Food companies are concerned at the Commission's propoaal that processed foods must ba labelled as possibly containing modified material unless its presence can be ruled out.

Since few manufacturers will be able to guarantee their food is free of altered crops – and such crops are still in a minority – there are fears that labels saying "may contain..." will becoma widespread.

Critics argue this would remove the point of ths labels. The headache for the food industry is likely to be worsened by what Nestlé says will be the "significant cost" of labelling. Nestlé itself is also investing money in laboratories so it can test batches of food for genetically modified material.

Alison Maitland

Banking chief plays by new rules of Russian finance

Oneximbank could yet be a global giant, writes **John Thornhill**

In the convoluted world of Russian finance, where contacts count as much as cash, Mr Vladimir Potanin has few equals.

As a former first depnty prime minister Mr Potanin learned how to navigate the Kremlin's corridors. As the present head of Oneximbank, one of Russia's biggest commercial banks, he can match his ambitions with financial muscle.

It was perhaps little aurprise, therefore, that over the past two weeks Oneximbank has outpaid and outsmarted its opponents by acquiring two lucrative stakes in the Svyazinvest telecoms company and the Norilsk Nickel mining group.

In so doing, Oneximbank has reinforced its position as Russia'a most powerful financial-industrial group, with activities ranging from nickel mining and bond trading to oil production.

Given a fair economic wind, a gust of lnck and a decade to rationalise its assets, Oneximbank could yet emerge as a global industrial giant, rivalling the most powerful conglomerates of Japan and South Korea.

At the heart of this business empire is Oneximbank itself, which ranks as one of Russia's biggest commercial banks with assets of Rbs21,000bn ($3.6bn) at the beginning of the year. The bank was one of the first to receive a rating from a western credit agency – Ba3 from Moody's – enabling it to issue a $200m Eurobond last month.

But the bank is just part of the broader Interros Group, an industrial holding concern controlling 24 companies with a combined turnovar of $10bn. Prominent among them is Sidanco, an oil company with reserves greater than those of Mobil, the US major.

Oneximbank also has a large stake in MFK-Renaissance, one of Moscow's biggest investment banks, with a strong presence in local debt and equity markets, and the ability to provide its parent with additional financing power.

Like any successful entrepreneur, the 36-year-old Mr Potanin has adapted his business tactics to his environment. In the case of Svyazinvest, it was worth breaking ranks with other Russian banks and competing fiercely in a relatively open auction.

The government was desperate to raise money and was intent on establishing a new set of privatisation rules. Oneximbank paid $1.9bn for the 25 per cent stake – $170m more than the rival consortium, and well above the value of Svyazinvest's shareholdings in its daughter companies.

In the case of Norilsk Nickel, however, Oneximbank won the shareholding in a deal in which it had all the advantages. Brunswick, a Moscow-based stockbroker, estimates Oneximbank paid an effective price of $8.85 a share for its 38 per cent stake.

Norilsk Nickel's shares were trading on the open market at more than $15 yesterday.

In a different era, it is easy to imagine the remarkably self-assured and prematurely balding Mr Potanin developing into an archetypal Soviet apparatchik.

After graduating in 1983 from the Moscow State Institute for International Relations, the training school for future diplomats, Mr Potanin worked for the Soviet foreign trade ministry for eight years.

As the Soviet Union collapsed, Mr Potanin was perfectly placed to leap into the emerging private sector, exploiting his contacts with Russia's foreign trade associations to found his own bank: the United Export-Import Bank – Oneximbank.

Mr Potanin gathered around him several former trade officials and has cultivated a number of bright young financiers, such as Mr Mikhail Prokhorov, the bank's chief executive, and his deputy, Mr Vladimir Ryskin, recruited from an Israeli bank.

"They are a professional group who know exactly what they are doing," says one foreign banker who knows Oneximbank well. "With a bit more experience, they would easily match their western counterparts."

Unlike many other Russian bankers, Mr Potanin has been willing to strike deals with foreign partners. MFK-Renaissance is at present run by Mr Boris Jordan, an American banker who formerly ran Credit Suisse First Boston's Moscow office.

It was Mr Jordan who played the decisive role in persuading Mr George Soros, the international financier, to put $980m behind Oneximbank'a bid for Svyazinvest. Further collaborations seem likely.

But while few doubt Mr Potanin's impressive tactical skills, some question his long-term strategic sense. Over the past few weeks Mr Potanin may have won a lot of assets but he has also acquired some powerful foes.

Vladimir Potanin: bas adapted his business tactics to bis environment *Reuter*

Mr Potanin has publicly humiliated Mr Victor Chernomyrdin, the prime minister, who had called for the Norilsk Nickal auction to be postponed.

Mr Potanin has also incurred the opposition of Mr Vladimir Gusinsky, head of the Most media group, and Mr Boris Berezovsky, deputy head of the national security council, who both supported the losing bid for Svyazinvest.

But one western economist argues that this may not matter if economic competition really is superseding political contacts in the Russian marketplace.

"By snapping up all those assets, Potanin has put himself in the strongest position to compete by the new rules," he said.

Spanish jobless total down 4%

By Tom Burns in Madrid

Registered unemployment in Spain fell by nearly 4 per cent month-on-month during July to bring the total nnmber of job-seekers signed on at the government's employment agencies down to just over 2m.

This was the lowest level since 1982, representing 12.5 per cent of the labour force.

The registered johless total fell by 82,000 last month, compared with 63,000 in July last year and an average July fall of 33,000 over the past 10 years.

The figures, released yesterday, were ahead nf forecasts and followed government estimates that revised groas domestic prnduct growth npwards from 3 per cent to 3.2 per cent this year and from 3.3 per cent to 3.4 per cent in 1998. The jobless total has dropped by 206,000 aince the start of the year, and the registered unemployment rate has fallen by 1.32 per cent between January and July.

The centre-right Popular party governmant has named 1997 the "employment year", and it is now well on track to bring the total of registered unemployed down to below the 2m mark by December.

Jnb contracts totalled a record 968,000 last month, 15 per cent np on June's total, although less than 9 per cent were long-term contracts.

Officials claimed that new labour guidelines, agreed by unions and employers at the beginning of the year to foster more stable jobs, were starting to make a positive impact.

A second set of figures published by the national statistics institute, which conducts quarterly employment surveys into the proportinn of the population actively employed, showa higher jobless levels but a similar downward trend.

At the six-month stage the employed total was up by 364,000 year-on-year to 12.7m and 20.9 per cent of the 16-65-year-old working population claimed not have a job, against a rate of 22.2 per cent in June last year.

Tough Romanian budget approved

By Matej Vipotnik and Anatol Lieven in London

Under pressure from the international Monetary Fund, tha Romanian government yesterday approved the annual budget, intended to keep the deficit to 4.5 per cent of GDP. Mr Mircea Ciumara, finance ministar, said that apending on health, education and labour had been increased, bnt all other departments faced cuts.

The decision came after intense negotiations with an IMF delegation led by Mr Poul Thomsen in Romania to discuss conditions for disbursement of the aecond $86m trancbe of a $430m standby loan agreed earlier this year. Progress towards the 4.5 per cent budget target had been harmed by concessions to trades unions on indexation of wages, and by floods which have damaged an expected bumper harvest and killed 10 people in the past week.

Yesterday, however, Mr Ciumara said: "I think that the IMF is happy," adding that negotiations had moved on to microeconomic reform. Talks are believed to be concentrated on the sale or closure of particular loss-making state enterprises.

Cuts agreed with the IMF included the suspension of the $1.5bn purchase of 96 "Supercobra" attack helicopters from Bell Textron of the US. The helicopters were to be produced locally as part of a deal reached in May under which Bell bought a controlling ahare of the IAR aircraft factory in the Romanian city of Brasov. Mr Ciumara announced that his ministry would not guarantee the purchase in this bndget year. If his decision is allowed to stand, it is expected that Bell's purchase of IAR will also be suspended.

The IMF and World Bank have both issued strong private warnings to several east European countries not to overspend on western arms as part of their drive to join Nato.

In Hungary, Poland and the Czech Republic, they have focused on plans for the purchase of new fighter aircraft for a total cost which, according to some industry representatives, could go as high as $10bn. Romania was to pay for the helicopters with the belp of an international convertible bond issue arranged by Merrill Lynch.

The IMF, however, is reported to have refused a Romanian government request to raise the ceiling on Romanian international borrowing by $2bn, insisting that the increase be limited to $500m. This in effect blocked the helicopter plan.

A Bell spokesman refused to comment on the belicopter deal, which is covered by a confidentiality agreement. However, Romanian official sources said privately that Bell had agreed to pay $50m for a 70 per cent stake in IAR, with provisions for follow-up investment of up to $21m.

Editorial Comment, Page 9

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address
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Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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EUROPEAN NEWS DIGEST

UK plans Nazi gold conference

London is to host an international conference on Nazi gold in December, the British government announced yesterday.

Mr Robin Cook, foreign secretary, said the conference would aim to pool available information relating to gold looted by the Nazis from both countries and individuals.

It will also examine steps being taken to reimburse countries and compensate victims, and look at the case for further action. "The government shares the concern of the international community about the origins and disposal of Nazi gold," said Mr Cook.

The conference, to be held between December 2 and 4, will be chaired by Lord Mackay of Clashfern, the Tory former Lord Chancellor. It la hoped that up to 25 countries will attend.

Britain is a member, along with the US and France, of the Tripartite Commission for the Restitution of Monetary Gold (TGC), set up under the terms of the 1946 Paris Agreement on Reparations. *Liam Halligan, London*

■ German police seized hundreds of compact discs in nationwide raids yesterday as part of an operation to crack down on neo-Nazi recordings by skinhead bands. They also confiscated wartime weapons, a machine gun and neo-Nazi paraphernalia such as swastika flags.

German authorities have grown concerned about a rise in the use of rock music and extremist concerts to spread neo-Nazi messages across the country. *Reuter, Bonn*

■ RUSSIAN OIL

Pipeline bypass planned

Russia may build a section of oil pipeline around its independence-minded republic of Chechnya because of problems in sealing an oil transport deal with the separatist region, a senior energy official said yesterday.

The first deputy fuel and energy minister, Mr Sergei Kiriyenko, quoted by Interfax news agency, said it would take 1½-2 years and $250m to replace 160km of pipeline running through Chechnya with a new stretch through a neighbouring region, Dagestan.

Tha section of pipeline through Chechnya is part of a trunk pipeline linking the Azeri capital Baku and Russia's Black Sea oil export outlet of Novorossiysk. The $8bn, 13-member Azerbaijan International Operating Company, led by British Petroleum and Statoil is scheduled to use the link to send its Caspian oil to world markets.

But Moscow is having problems hammering out an agreement with Chechnya over refurbishing the link and other prickly issues. Moscow sent troops into Chechnya in December 1994 to try to crush an independence drive, but it withdrew in humiliation last August after a bitter, 21-month war. *Reuter, Moscow*

■ BUNDESRAT OPPOSITION

Solidarity tax cut hope

Mr Edmund Stoiber, chief minister of Bavaria, said yesterday he did not expect the Bundesrat, or second house of parliament, to find the votes to block the ruling coalition's proposed 2 percentage point cut in the "solidarity" tax from January 1 1998, if a bill covering the reduction were to be presented before the chamber.

Speaking on Saarland radio, the premier, a member of the Christian Democratic Union's Bavarian sister party, said CDU premiers from east German states would not join Social Democratic state premiers in opposing the cut if there was "reasonable financing" for it.

SPD state premiers, who are in the majority in the Bundesrat, have spoken out against a cut in the tax, contending that it cannot be paid for. CDU state premiers also have only voiced lukewarm support for the measure.

A cut in the tax to 5.5 per cent from 7.5 is part of the legislation covering broad tax reform which was blocked by the Bundesrat by a simple majority. *AFX, Bonn*

■ TIES WITH ANKARA

Turkish Cypriots in talks

Turkish northern Cyprus yesterday took a further step towards formalising its close ties with Turkey. Mr Rauf Denktash, Turkish Cypriot leader, and Mr Ismail Cem, Turkish foreign minister, created a joint council to implement "partial integration" with Turkey.

The Turkish Anatolia news agency said the committee was intended to co-ordinate "gradual economic and financial integration and partial integration on security, defence and foreign policy".

Northern Cyprus is already well integrated with Turkey. More than 30,000 Turkish troops have been stationed there since Turkey invaded in 1974 after a brief pro-Greek coup. Settlers from the mainland form a large proportion of the enclave's population.

A second round of peace talks begins in Montreux next Monday between Mr Denktash and Mr Glafcos Clerides, Greek Cypriot president. Integration with Turkey is meant to counter the EU's decision to open talks with the Greek Cypriot government while excluding Turkey from expansion talks. *John Barham, Ankara*

■ IMF LOAN EXPECTED

Kiev austerity programme

Ukraine's prime minister and central banker finalised an economic austerity programme yesterday that will form the basis for a $525m International Monetary Fund loan, the Russian news agency Interfax reported.

The IMF'a board was to give its formal approval for the loan on August 25, with the first monitoring mission due in November, Interfax said.

Interfax quoted a presidential aide, Mr Valery Litvitsky, as saying that the loan deal, under the IMF's standby facility, would convert into a longer-term Extended Fund Facility (EFF) loan late this year.

The IMF delayed the start of an EFF deal slated for the beginning of this year, citing Ukraine's failure to move forward with key reform measures. After several rounds of talks, the two sides agreed to start with a less ambitious atandby loan before reviving the EFF, which requires broader and deeper reforms. *AP-DJ, Moscow*

■ ECONOMIC WATCH

EU inflation edges up

Inflation in the 15 European Union countries rose slightly from 1.5 per cent in April and May to 1.6 per cent in June, the EU's statistics agency reported yesterday. It said EU inflation in June 1996 was 2.4 per cent.

The lowest rates in the EU were in France and Austria, both at 1 per cent. The highest were Greece, at 5.6 per cent, and Denmark, at 2.2 per cent.

The inflation rate is calculated as an average of member states' harmonised indices of consumer prices.

Other rates were: Finland 1.1 per cent; Luxembourg 1.2 per cent; Spain 1.4 per cent; Germany 1.5 per cent; Belgium, Portugal and Italy 1.6 per cent; Netherlands, Sweden and Britain 1.7 per cent. *AB, Brussels*

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China 'heading to be biggest economy'

By Tony Walker in Beijing

China's economy will become the world's largest by 2030, surpassing that of the US, according to a study by China'a Academy of Social Sciences (Cass), a government think-tank.

This is the first time an official Chinese institution has forecast China's continuing strong economic growth will carry it past the US within a generation.

It is also the first occasion China has acknowledged the purchasing power parity (PPP) measurement of an economy increasingly favoured by economists over the simple per capita gross domestic product formula.

Professor Li Jingwen, director of the Institute of Quantitative and Technical Economics at Cass, stressed in an interview that findings were "preliminary" and further refinement of figures was required.

But in a controversial observation for a Chinese economist, Prof Li said China's yuan was significantly undervalued using the PPP measurement. He believes the actual value of the yuan is four to the dollar compared with the present official rate of 8.3.

He predicts a significant appreciation of the yuan against the dollar over the next several decades.

PPP refers to the capacity of a unit of local currency to buy a "basket of goods and services", providing a standard to compare sizes of competing economies.

World Bank economists say the yuan value is closer to two to the dollar, according to the PPP measure.

Western studies such as one released this year by the East Asia Analytical Unit of Australia's Department of Foreign Affairs and Trade have predicted China's economy will become the world's largest between 2010-2020.

Prof Li said China had resisted studies of relative sizes of economies on the PPP measurement, but recognised that such a measurement was coming into favour.

One of the reasons for Beijing's reluctance has been concern that optimistic forecasts would affect China's ability to attract development assistance.

In 1996, according to the Chinese study, China's gross domestic product based on PPP reached $1,600bn, one-quarter that of the US and half that of Japan.

By 2010 at a forecast average growth rate of 8-10 per cent, it will have leap-frogged Japan and by 2030 it will be the world's largest economy.

China's GDP will reach $155,000bn in 2030 compared with $131,110bn for the US, assuming US growth of 2-2.5 per cent. In 2050, China's GDP will be $383,000bn, almost double that of the US.

But Prof Li said that people should keep such projections in perspective, noting that China's forecast population in 2050 of 1.6bn would be 3.5 times the size of the US. Taking that into account, he said, the US would still be the world's richest country.

Chinese capitalism plans a world brand

Broad perspective: vertical lift-off

Mr Zhang Jian

Mr Zhang Jian, president of Broad Air Conditioning, China's biggest manufacturer of industrial air conditioners, was asked whether he had paid cash for the commuter jet and helicopter recently acquired by the company? "No," he said after a pause, "I paid by cheque."

Just five years after marketing its inaugural industrial water heating and air conditioning unit, Broad Air Conditioning, has made enough money to become the first company in China to buy a private jet – not to mention from its own resources.

Adding spice to the story is that Broad's plant in Changsha, southern Hunan province, is a short drive from the village where Mao Zedong, the enemy of capitalism, was born more than a century ago.

The company's gleaming new headquarters with modern computer-guided production lines, uniformed workers, and high-technolgy administrative block could hardly provide greater contrast with decaying Mao-era state-owned companies.

It may be that Broad provides a glimpse of a future where Chinese companies compete internationally. Certainly, this is 34-year-old Mr Zhang's ambition.

"We have plans to export, not necessarily for profit, but to create a famous Chinese international brand," says Mr Zhang, who is opening offices in Frankfurt and New York.

"In the international market there is no famous Chinese brand. We are going to spend the next 10 years making Broad the biggest and best industrial air conditioning plant in the world."

Broad, or Yuanda, its Chinese name which means *broad* or *far-reaching*, dominates the local market for gas or oil-fired chiller-heaters used in hotels and office blocks. It claims 90 per cent market share and will produce 2,000 units this year.

Production, Mr Zhang points out, matches the combined output of six manufacturers of such units in Japan, including companies such as Hitachi which are beginning a stronger push into China.

He attributes Broad's success to it not being developed as a traditional Chinese company defined by "cheap quality and cheap price". Rather, it has invested heavily in quality control and after-sales service, a conspicuous weakness of many Chinese manufacturers of industrial items.

He also says that Broad has prospered because it carries "no debt" and has never taken a bank loan, financing its activities, including the private jet purchase, purely from its own resources. It has no accounts receivable, the bane of most Chinese companies. It will not ship units until payment is received.

Mr Zhang, a thermal engineering graduate from Harbin Industrial University, got his start after graduation in 1985 designing pressurised hot water boilers, selling the technology for Yn6m-Yn7m ($724,000-$844,000). With those funds he made his first industrial air-conditioning and water-heating unit for sale to a local Changsha department store.

Sales growth has been phenomenal in the five years of operation, rising from Yn6m in the first year to Yn1.9bn in 1996. Broad has benefited from the property boom and because it was the first Chinese company in the field. There are now dozens, but Mr Zhang shrugs off the competition, saying quality, innovation and after-sales service will ensure Broad's continued ascendancy. "We think that if the users find the product reliable the market is ours," he says.

Employees are left in no doubt about the work ethic expected of them. Slogans on the walls of a spotless factory equipped with modern equipment including industrial robots exhort workers to "perfect ourselves to be the best" and "look for zero trouble".

Mr Zhang, who dresses in company attire – dark suit and white shirt – says he is not following any particular management rules, but as a physicist and mathematician he is constantly working on ways to improve efficiency. He has read a "few management books", but he has built his company more by trial and error: among models for Broad are the Germans, whose commitment to quality and durability be particularly admires.

In its striving for 100 per cent reliability, Broad has created an elaborate mechanism to keep track of its thousands of units across China, including Tibet. A central control room is capable of monitoring performance of any of these units, employing computer modelling which appears on a large screen.

The air conditioning magnate has no plans to seek a stock-market listing, but he is branching out. In a venture with a Japanese company Broad has created Broad Beltecno to manufacture bathroom units for medium-price housing – a venture which is expected to achieve sales turnover of about Y2bn in the next year or so.

But Mr Zhang says his main focus will remain Broad Air Conditioning whose performance has far exceeded "my wildest dreams". His decision to buy aircraft is part of his search for excellence and a desire to provide better service for customers.

"Most of our customers are very busy," he says. "It is not always convenient for them to come to Hunan to see for themselves that Broad air conditioners are better than those produced by the Japanese. So the plane purchase is a commercial proposition to help our business."

Tony Walker

Air crash probe looks at three likely causes

By John Burton in Seoul and Michael Skapinker, Aerospace Correspondent, in London

Investigators yesterday were focusing on bad weather, a faulty airport guidance system and pilot error as possible causes for the crash of a Korean Air (KAL) 747 on Guam that killed at least 225.

Some of the 29 survivors said the landing approach appeared to be normal before the aircraft slammed into a mountain 5km from the airport.

The aircraft was trying to land in the middle of the night as heavy rain obscured visibility. An airport landing system, known as a glida slope transmitter, to help guide aircraft was inoperative due to maintenance. KAL, South Korea's national carrier, yesterday blamad theae conditions for the crash.

Boeing, the US aircraft manufacturer, said it was waiting for the results of the accident investigation before commenting on the crash.

The Boeing 747, which first went into service in 1970, is the world's biggest passenger aircraft, carrying up to 400 people. KAL has 42 Boeing 747a in service and has ordered a further seven.

The aircraft has a good safety record, suffering 1.6 serious accidents for every 1m journeys. Yesterday some aviation analysts criticised the KAL pilot for attempting the landing in bad weather if he knew the navigational aid was faulty. "I can maka it," he reportedly told the control tower just before the crash.

KAL might be forced to increase compensation payments to victims' families if it was found to be negligent because of pilot error. Pilot error has been blamed for other accidants involving Korean airliners in the last two decades.

The last fatal crash of a KAL aircraft occurred in 1989 when a DC-10 crashed while trying to land during fog at Tripoli, Libya. The Korean government ruled that the cockpit crew had committed a "preposterous error" by ignoring three warnings before crash landing the jet and killing 72 passengers. The pilot was jailed for two years.

The transport ministry in Seoul said that an engine malfunction or other mechanical problems might have caused the crash. But an inspection last month revealed no problems with the 747-300, which was delivered to KAL in 1984.

KAL has had a relatively high accident rate over the past decade, according to the International Airline Passengers Association, a US consumer group. It aaid that KAL had an accident rate of 1.91 per million departures against tha global rate of 0.581 per million.

Yesterday's crash brought to five the number of fatal accidents involving KAL aircraft since 1980, including the shooting down of a Boeing 747 over Sakhalin by a Soviet jet in 1983.

Xinhua's new HK chief pledges non-interference

By John Ridding in Hong Kong

The new head of the Hong Kong branch of China's Xinhua news agency, Beijing's unofficial embassy in the territory during colonial rule, signalled a reduced role for the organisation there yesterday, and pledged not to interfere in the territory's administration.

The move follows last month's transfer of Hong Kong sovereignty back to China. "The role of the Xinhua branch in Hong Kong will alter," said Mr Jiang Enzhu, after arriving in the territory to take up his post. It would not interfere in the affairs of the Special Administrative Region, he added, referring to Hong Kong'a post-colonial title.

Nominally an office of the official news agency, Xinhua's Hong Kong office acted as a watchdog during colonial rule. It also carried out "united front" work, co-ordinating pro-Beijing forces in the territory and acting as the main base for the Communist party there.

Mr Jiang's arrival completed the line-up of top Chinese officials in Hong Kong, following the appointment of Mr Ma Yuzhen as foreign ministry commissioner, and General Liu Zhenwu as commander of the People's Liberation Army.

Mr Jiang, a former ambassador to London, will replace Mr Zhou Nan, a Communist party hardliner who is retiring. Mr Ma is also a former ambassador to London.

The appointments have eased fears that powerful mainland political figures would be sent to the territory, creating a separate power structure to the post-colonial administration.

Under the Sino-British accords underpinning transfer of sovereignty, Hong Kong is to have a high degree of autonomy. With the exception of defence and foreign affairs, Mr Tung Chee-hwa, the territory's post-colonial leader, is meant to have a free hand in government.

Mr Jiang's appointment has been generally well received in Hong Kong. A newcomer to Xinhua, he may be less determined to maintain the agency's high profile than his predecessor.

The head of Beijing's Hong Kong and Macao Affairs Offica is also set to be replaced. Local press reports say Mr Lu Ping is expected to be replaced by Mr Liao Hui, son of a former head of the office.

ASIA-PACIFIC NEWS DIGEST

Ranariddh voted out

Cambodia's ousted Prince Norodom Ranariddh was yesterday formally replaced as first prime minister by the foreign minister, Mr Ung Huot in a move that the country's strongman, Mr Hun Sen, said signalled the end of Cambodia's turmoil. The National Assembly voted by secret ballot in favour of Mr Ung Huot's nomination though he still faces hurdles before winning full acceptance as co-premier, most notably opposition from Prince Ranariddh's father, King Norodom Sihanouk. The coup was condemned by the US and others and led to the suspension of Cambodia's entry into the Association of South East Asian Nations. Asean's subsequent attempts to mediate in Cambodia was rejected by Mr Hun Sen, second prime minister.

Yesterday members of the Cambodian opposition, the Union of Cambodian Democrats, said in Bangkok that Mr Ung Huot's nomination violated the constitution. The newly-formed opposition is made up of members of parliament from Prince Ranariddh's party and a smaller allied party and their supporters. *Reuter, Phnom Penh*

■ PHILIPPINE ELECTION

Defence minister set for race

President Fidel Ramos of the Philippines said yesterday he had accepted the resignation of Mr Renato de Villa, defence secretary, who is to run for president in next year's election. Mr de Villa announced his presidential bid last month. He has joined the ruling party, the National Union of Christian Democrats, but has yet to gain its nomination.

Mr Ramos's endorsement and the benefit of the administration's political resources would give a crucial edge to any one of a dozen presidential aspirants, who include Mr Joseph Estrade, vice-president, Senator Leticia Shahani, Mr Ramos's sister, and Mr Roberto de Ocampo, finance secretary.

But the president's reluctance to endorse a candidate has fuelled speculation he might step into the race at the last minute. The constitution bars an incumbent running for a second term but Mr Ramos, whose six-year term ends in May, has allowed supporters to lobby for a constitutional change. *Neri Tenorio, Manila*

■ AUSTRALIA

Tax safety net agreed

Mr Peter Costello, the Australian treasurer, yesterday said he had reached a deal to install a "safety net" to replace revenues lost to the states after a High Court ruling said on Tuesday that franchise fees paid to the states by tobacco wholesalers were unconstitutional. The ruling, which extends to petrol and alcohol, would mean a shortfall of A$5bn (US$3.7bn) in states' revenues. Immediately after the ruling Mr Costello said that the federal government would, if requested by the states, collect the revenues on their behalf on condition that consumer prices did not rise. *Elizabeth Robinson, Sydney*

Kazakhs wrestle with river of sorrow

Robert Corzine reports from a town engaged in fighting pollution on a scale rarely seen

Great cities often appear at the end of mighty rivers. Bnt for the people of Kyzyl-Orda, a town in tha middle of Kazakhstan, being the last big town on the Syr Darya river has brought misery and pollution on s scale rarely seen.

At first glance, Kyzyl-Orda seems the kind of place that should have rolled up its sidewalks years ago.

The Syr Darya, on which it depends, may be ooe of the great rivers of the Eurasian land mass, flowing 1,700 km from the Fergana Valley in Uzbekistan to the Aral Sea. But that did not stop Soviet planners from toying with its course and diverting vast amounts of water to huge, chemical-intensive sgricultural schemes throughout central Asia.

It is hard to imagine that the modest green river meandering around the dusty, drab town of about 120,000 people is the same strstegic waterway thst attracted Czarist troops to establish a garrison town nearly 180 years ago.

A large levée to protect the town centre from the river lies far from its present course; the dense scrub that bas grown between the two is testament to the fact it has been many years since there has been enough water to warrant such protection.

The river's decline has triggered a complex series of events which led to Kyzyl-Orda being designated an "ecological disaster area" by the United Nations. In the past, the sheer size of the river was enough to dilute pollutants picked up on its journey. But the much smaller volumes now carried past Kyzyl-Orda en route to the exhausted Aral Sea are packed with concentrated residues of DDT, chemical defoliants and heavy metals.

"All the pollution comes to us," says Mr Berdibek Saparbaev, the *Akim* or governor of the region.

A UN report concluded: "There is hardly another region on the planet, sxcept perbaps Chernobyl, where a powerful environmental crisis has affected such a large area".

Despite international aid, Kyzyl-Ords has one of the highest infant mortality rates in Kazakhstan. Tuberculosis, viral hepatitis and throat cancer are common.

But the many silments that arise from the locsl people's reliance on the polluted water are only part of a more invidious environmental prohlem. Over the years, pollutants carried hy the river have settled in the Aral Sea, which is drying up because of the reduced inflow.

The receding sea has caused the local climate to change. Higher temperatures result in more powerful winds, which plck up the evaporated salts from the exposed parts of the sea. The outcome, says Mr Saparbaev, are toxic dust storms that can spread as mucb as 800 tonnes of poisonous salts across an already bleak landscape. To make matters worse, missile launches from the nearby Russlan-controlled Baikonur Space Centre trigger sudden changes in the local climate, including high winds and dust storms. Local people worry that heavily-guarded Baikonur, off limits to Kazakhs, may conceal even more environmental nightmares.

Dried up: A boat lies abandoned by the Aral Sea *Panos Pictures*

Nature, too, has conspired against Kyzyl-Orda. The shifting sands on which the town is built are unstable, and buildings sometimes collapse without warning. Even without the effects of pollution the local climate is hardly benign.

Meteorologists classify it as "profound continental". The locals call it awful, with average temperatures ranging from about 43°C in summer to minus 39°C in winter.

Late last month, the temperature edged up to 50°C. A handful of water tossed on tbe ground exploded into hundreds of sizzling beads as if it had been thrown into a hot frying pan. "Not everyone can appreciate this climate," conceded an otherwise ebullient Mr Saparbaev.

It is not surprising that thousands hsve fled the region. In 1995, 21,000 left, though the exodus fell to 7,000 last year, a trend which heartens the governor, who, against all odds, speaks of s prosperous future based on foreign investment.

Critics describe his vision of Kyzyl-Orda with a big international airport ("we are at the centre between Europe and Asia") and luxury hotels ("with swimming pools and billiards") as wishful thinking.

But a combination of oil money and the human urge to make the best of a bad lot may see some of thet vision come true. The town bas been declared Kazakhstan's first special economic zone, with financial incentives for foreign investors.

Last year, Hurricane, a Canadian oil company, promised to spand $280m over the next six years as part of its purchase of the region's oil company. Other foreign oil companies are also taking an interest.

The relatively modest amounts Hurricane has spent so far seem to have had a positive impact. Hurricane inherited a professional *football team* which it continues to subsidiss. One evening an enthusiastic crowd watched it beat a visiting side 3-0 in punishing heat.

Only the camel, the team's mascot, maintained its cool as it paraded around the ground in a costume complete with the Canadian company's logo.

The Canadian cash infusion has helped spawn new *small-scale businesses. After* sunset, residents gravitate to Kyzyl-Orda's "beach," a sandy sweep of river front. In recent weeks, stalls have opened selling beer, soft drinks and *shashlik*, the local shish kebab.

One stallholder has even atarted an informal late night disco, his loudspeakers pumping out western "pop" hits to attract potential partygoers. One night, small groups of young Kazakh girls in long summer dresses took to the moonlit sand in high heels.

They were joined by whole families – s scene that made it easy to forget, at least for a while, the unseen dangers lurking in ths river flowing peacefully a few feet away.

IMF warning to members over corruption

By Robert Chote, Economics Editor

The International Monetary Fund bas warned lts member countries that financial assistance may be withheld or suspended if government corruption is preventing their economies from moving out of trouble.

The IMF has released guidelines oo its approacb to governance questions, which were approved recently hy lts executive board. They make it clear that other countries could suffer the same fate as Kenya, which saw funding halted when the government took inadequste steps over corruption.

"Financial assistance from the IMF... could be suspended or delayed on account of poor governance, if there is reason to believe it could have significant macroeconomic implications that threaten the successful implementation of the programme, or if lt puts in doubt the purpose of the use of IMF resources," the guidelines state.

The importance of promoting good governance and discouraging bribery is a priority for several international financial organisations, including the World Bank and the OECD.

Tbe guidelines warn that "tbe IMF's judgments sbould not he influenced by the nature of a political regime of a country, nor should it interfere in domestic or foreign politics of any member". But they concede staff "may need to be prepared to face some tension in the working relationship with country authorities in specific cases potentially involving corrupt practices".

Tbe board argued that staff should take governance issues into account when preparing Article Four consultations – its regular health-checks of the economies of all member countries – as well as in its relations with countries borrowing money. Like the World Bank, it is also careful to be even handed in its condemnation of corruptors as well as the corrupted.

The IMF sees two main spheres through which it can promote good governance. The first is improving the management of public resources, including reform of treasuries, budget preparation, tax administration, accounting and sudit procedures. The second is creating "s transparent and stable economic and regulatory environment", for example in tax codes and commercial law.

INTERNATIONAL NEWS DIGEST

Israel stands by tough measures

Israel will continue with harsh measures against the Palestinians imposed after s suicide bombing in Jerusalem last week, in defiance of Arah and international criticism, it said yesterday.

"We are firm in the measures that we have taken," said Mr Benjamin Netanyahu, Israel's prime minister, after meeting Crown Prince Hassan of Jordan in Jerusalem. Mr Netanyahu said that, aside from "humanitarian gestures", the Israeli sanctions would remain in place until Israel was convinced the Palestinian Authority was cracking down on terror groups. European Union officials and Arab states have appealed to Israel to lift the sanctions.

Palestinian officials estimate Israel's closure of the West Bank and Gaza Strip has caused losses of $9m s day. *Avi Machlis, Jerusalem*

■ KENYA SHILLING

Currency support continues

The central bank of Kenya said yesterday it would continue to intervene in support of the shilling, and called for calm following the currency's sharp fall against the dollar since last Thursday whan the International Monetary Fund suspended a $220m loan to the country.

"The central bank wishes to re-affirm thet it will continue to intervene in the foreign exchange market as and when justified," Mr Micah Cheserem, the bank governor said. His comments helped the shilling recover from s sharp drop against the dollar earlier yesterday. The currency closed at 65.90/68.00 to the dollar, up from 69.00 to the dollar earlier in the day. The shilling's 4.6 per cent fall for the day brought its decline since Thursday to 13.6 per cent. *AP-DJ, Nairobi*

■ LEBANON CRACKDOWN

Beirut to move against cleric

The Lebanese government yesterday was set to order a crackdown on outspoken opponents, including a radical Shia cleric who has led a campaign for civil disobedience. Sheikh Sobhi Tufaili, a former secretary general of the Hizbollah movement, has been calling on his supporters to revolt in protest at the government's failure to improve living conditions in the eastern region of Baalbek.

In June, the government appeared to be seeking accommodation rather than confrontation with Mr Tufaili, in the hope that boosting his appeal would weaken support for Hizbollah, from which he had split. But Mr Tufaili has tried to export his revolt to Beirut. He also sponsored a mass rally in Baalbek on Saturday, in which Mr Najah Wakim, a Greek orthodox member of parliament and opponent of the government, is said to have insulted government officials. *Roula Khalaf, London*

■ QATAR

Sheikh's kidney transplant

Sheikh Hamad bin Khalifa al-Thani, the ruler of the energy-rich Gulf state of Qatar, has undergone a kidney transplant operation in the US, the court said.

Sheikh Hamad, 47, selzed power in the tiny Arah emirats from his father in June 1995 in a hloodless palace coup. *AP-DJ, Manama*

Administration aims to achieve 'fast track' negotiating powers for the president by September

Clinton pushes for trade talk authority

By Nancy Dunne in Washington

The Clinton administration bas begun final consultations with members of Democrat and Republican parties in a last atlempt to give the president "fast track" trade negotiating authority in early September.

Ms Charlene Barsbefsky, US trade representative, yesterday ssid President Bill Clinton had already met 60 to 70 members of Congress to stress the importance of fast track authority, which would let him negotiate free trade pscts in Latin America and Asia.

Mr Jay Berman, a Washington lobbyist for the recording industry, bas takeo leave from his job to liaise between tbe White House and other government agencies.

On a separate issue, Ms Barshefsky declined to "prejudge" China's continued efforts to join the World Trade Organisation hy next May. "We've learned that if China decides to move forward, it can do so and rather quickly," she said.

The administration hopes to build on the bipartisan goodwill engeodered hy the successful passage last week of the balanced budget and tax legislation. But its problems for fast track are of a very different sort.

Provisions on labour and environment, sought by Democrats, are still opposed by most Repuhlicsns, although some Republicans have suggested they could support inclusion of the two in cases where labour and environment issues are directly related to trade.

The Repuhlican leadership has suggested that 90-100 House Democrats would be needed to win passage.

"If tbe administration is going to stick with the same old failed status quo, they will have a very, very difficult time getting Democrats in Congress to support it," said Ms Lori Wallach of Public Citizen, s puhlic interest lobby group. "There is also s sizable core of Repuhlicans wbo think trade policy is s major failure."

The rising trade deficit with Japan is also a big worry for both Congress members and the administration. "We are concerned that [US] vehicle sales are down sharply," said Ms Barsbefsky, also citing displeasure with a stalling in governmental deregulation of parts and slow opening of new dealerships to bandle US cars.

● Sales of imported cars in Japan dropped for the fourth consecutive month in July, falling 25.6 per cent from a yesr earlier, but reverse imports by Jspanese mannfacturers suffered the heaviest falls, writes Bethan Hntton in Tokyo.

Imported cars made hy non-Japanese manufacturers saw sales fall 17.9 per cent to 27,573 units, while sales of cars made overseas hy Japanese manufacturers dropped 55.6 per cent. US-made cars were down 34.3 per cent on average.

WORLD TRADE NEWS DIGEST

US appeal on Japan telecoms

The US has urged Japan to amend what it perceives as restrictive procurement practices by Nippon Telegraph and Telephone (NTT) which shut out foreign suppliers.

According to Japanese trade officials, US negotiators made the request at an annual follow-up meeting with Japanese counterparts to monitor progress in NTT's compliance with an earlier US-Japan procurement agreement. The latest talks covered NTT's procurement activities for fiscal 1996 that ended on March 31.

The US criticised Japan for retaining disadvantageous practices against foreign manufacturers when procuring telecoms equipment that have allegedly resulted in slow growth of foreign suppliers' market share of total devices procured by NTT. US officials also requested increased transparency in the procurement procedure to allow greater participation by forelgn suppliers.

Japanese delegates rejected the allegations, saying that Japan no longer discriminates against foreign suppliers when procuring equipment for NTT. Foreign suppliers had also been disadvantaged by a requirement that suppliers conform to certain NTT technical specifications which were quite different from those of most leading telecom carriers, delegates said. *Kyodo, San Francisco*

■ TEXTILES

HK-US customs plan

The Hong Kong government said US Customs Department officers would accompany local officials on inspections of textile factories, hnt that any enforcement activity would be the exclusive domain of Hong Kong Customs.

The US has pressed for the right to inspect Hong Kong textile factories to reduce alleged mislabelling of goods. Since textiles are subject to quotas and cheaper to produce in China, many are labelled as manufactured in Hong Kong when in fact they have been made in China.

The inspectioo will be conducted in September and will cover 12 categories of textiles and apparel. It follows a similar round of joint factory visits in January and in September last year. *AP-DJ, Hong Kong*

■ MOBILE TELEPHONES

Viag places orders

Viag Interkom, the German mobile network operator, has completed its initial investment phase, placing orders worth some DM1bn ($540m) for technology for tts next generation digital telecommunications network.

Viag's network is the first which connects fixed telecom networks and mobile networks. As part of the order, the joint venture between Northern Telecom of Canada, Daimler-Benz Aerospace, and Nortel Dasa would deliver seven switches to enhance communications between mobile and fixed-wire networks.

Nokia said it had received an order worth DM300m as the main contractor for base stations for the new network. Siemens will deliver fixed-wire switches, and Robert Bosch and Ericsson will deliver microwave equipment.

Viag Interkom, owned by Viag, the German utility, British Telecom and Norway's Telenor, plans to create a hybrid network that combines mobile communications and fixed-wire communications. *Reuter, Munich*

Hopes rise for Japan-US air agreement

By Bethan Hutton in Tokyo

Japan and the US are still far apart in aviation talks but hope that agreement can be reached within weeks, US trade officials said yesterday after three days of negotiations in Tokyo.

At unofficial talks in Portland last montb the two sides set an end-September deadline for an agreement oo passenger and cargo air traffic between Japan and the US. The US has beeo pressing for an "open skies" agreement, while Japan is holding out for more limited liberalisatioo measures.

Tokyo wants to update a 1952 bilateral aviation treaty, which gives preferential treatment to two US passenger airlines and one Jspanese one, in order to extend the same treatment to a second Japanese airline, All Nippon Airways.

Wsshington has said it will only sccept this if Jspan agrees that any interim agreement will lead eventually to open skies.

"The US continues to advocate a transition to open skies. The Japanese delegation did not accept this, hut rather advocated what it called s fully liberalised system," said Mr Alan Larson, assistant secretary of state and a US negotiator st the talks.

Despite tbe US government's position, however, US airlines, with the exception of Northwest, have indicated they would accept an interim agreement without a commitment to open skies.

Japan has refused to accept the open skies concept on the grounds that it could lead to US-led airline alliances taking a dominant position in the trans-Pacific market.

Mr Charles Hunnicutt, US assistant secretary of transportation, dismissed thia argument yesterday, saying both the US and Japan had anti-trust legislation in place which would prevent such a aituation. Substantial differences also remained on air cargo issues, the US negotiators said.

The next round of talks will take place in Washington from August 27 to 29.

Mr Larson and Mr Hunnicutt are due to meet Japanese transport ministry officisls today to discuss another trade dispute coocerning Japanese ports and cargo bandling practices, which has led to the threat of US sanctions against Jspanese shipping.

New homes for Japan's old cars

Thriving export business grows up around unwanted vehicles

Rubbish is a problem in crowded Japan, particularly given the strong preference for the new and shiny. Old washing machines and televisions can be collected hy the local authorities, but cars are a bit too bulky – and sxpensive – to be thrown sway. The solution? Export.

Recent economic conditions have made the average salaryman hold on to his saloon for longer, hut he still tends to trade it in for a new model every five years or so.

"The Japanese like clean, new cars," says Mr Toshio Kimura, managing director of the Japan Used Motor Vehicle Exporters Association (*JUMVEA*). New Zealanders have no such qualms. Lovingly maintained 1960s models are a common sight there, so a five-year-old Toyota, with one careful Japanese owner, is seen as virtually new.

As New Zealanders, like the Japanese, drive on the left, no adjustments are needed.

Jspan exports more than 360,000 used cars every year, about 100,000 of which go to New Zealand, which has no car industry of its own. Otber destinations include Ireland, Russis, the Caribbean, Pakistan and Latin America, particularly Peru.

The more advanced countries take relatively new cars – around five or aix years old – while the developing countries accept vehicles up to 12 years old. There is also a lively export market for second-hand parts from scrapped cars.

Japanese consumers have many reasons for disdaining the outmoded products of their own car industry.

"Cars are not expensive here, hut owning a car ia: taxes, parking, and maintenance all come together to make quite a high rate of depreclation. There is slso some psychological biaa against cars with more than 100,000km on the clock," says Mr Shaun Conroy, managing director of Occidental Corporation, s Tokyo-based car exporter.

"If you didn't export cars, people would he leaving them on the side of the road. The scrap value of cars is negative: you have to pay someone to take them away."

Tbe *shaken*, a atringent hiannual maintenance test for vehicles more than three years old, can cost Y150,000 ($1,300) a time, and car parts are expensive. Proof of an off-street parking spsce is needed to register s car, but renting a parking space can coat Y40,000 a month or more in Tokyo.

> 'If you didn't export cars, people would be leaving them on the side of the road. You have to pay someone to take scrap cars away'

Japan has been exporting used cars for years, hut deregulation two years ago has led to soms changes. A licence was formerly needed to export more than one car for personal use. Now the documentation has heen simplified, and no licence is needed. Foreign-owned second-hand car exporting companies can get by with an "antique dealing" licence from the local police force, which covers a range of second-hand goods.

Pre-export checks for used vehicles havs alao heen relaxed. But Japanese car exporters are not entirely happy with their reduced bureaucratic hurden.

JUMVEA was formed earlier this year because some exporters felt deregulation was distorting the market. More non-Japanese exporters, who can afford to work for lower profit margins, are getting into the business and the market is being squeezed from hoth ends: greater interest is pushing up second-hand car prices in Jspan, and competition is reducing prices in target countries.

Mr Kimura emphasises that the association's aim is not to shut foreigners out of the markst altogether – 11 of the 60 member companies are foreign owned – but to raise standards. Relaxation of the rules has increased sharp practices, such as falsifying mileages.

Some side effects of deregulation are being felt more widely. Minimal supervision of exports has made it easy for stolen cars to be ahipped ont undetacted. Polica are reporting a boom in thefts of luxury cars, many of which are thought to be stolen to order for buyers in China and Russia.

Legitimate exporters would also like to expand into these markets, hut they cannot compete against tha crime gangs.

"With stolen cars, the costs are zero, so there is a very good profit margin," says Mr Kimura. His organisation's task is to find a way to tighten export regulations enough to catch the unscrupulous operators, without swimming too far against Japan'a deregulatory tide.

Bethan Hutton

[redacted]

Expanding US companies are increasingly turning to cheap part-time workers

UPS strike to save the 'American dream'

One of the placards being waved by pickets outside the United Parcel Service depot in downtown Manhattan declares that the company's blue-collar workers are on strike to "save the American dream".

Lofty as it may sound, the claim is true to the extent the dispute, now in its fourth day, is not just another strike about money.

The workers' union says it is about the way companies are asking people to work in the US: or, more precisely, the growing trend towards part-time employment.

UPS is by far the largest parcel delivery company in the US, handling 12m packages on an average business day. To get these packages to their destinations, it employs an army of 185,000 drivers, handlers and sorters, almost all of them represented by the International Brotherhood of Teamsters.

But delivering parcels is not a nine-to-five job. The working day has two peak periods: the evening pick-up and the morning delivery. And UPS, facing tough competition from other carriers, feels it cannot afford to pay people to stand idle during the off-peak hours.

As a result the company employs an unusually high percentage of part-timers: nearly 60 per cent at the last count. As the company has grown, the proportion of part-timers has increased: of the 46,000 jobs created in the last five years, no fewer than 38,000 have been part-time.

Part-timers are paid far less than full-timers, earning only $8 or $9 an hour after two years' service compared with $19.95 an hour for full-timers. But workers on the Manhattan picket line say many work a full eight-hour day – for example, working from 4am to 9am as a sorter or loader, then going out on a delivery round until noon.

Mr José Garcia, a full-time driver, says: "These guys are doing the same amount of work as full-timers, but UPS is paying them part-time wages. It just isn't fair on guys trying to raise families."

UPS is not unique. As competitive pressures have risen, US companies are increasingly turning towards part-time employment as a means of increasing flexibility and minimising their labour costs. According to the Bureau of Labour Statistics, the percentage of part-timers in the US workforce has grown from 14 per cent in 1968 to 18 per cent now.

The teamsters' union says this is the issue at the core of the UPS strike. "The use of part-time, temporary and contract workers continues to go up and up even as large corporations make record profits," says Mr Steve Trossman, a representative in the union's Washington headquarters. "Workers and their families cannot survive on part-time jobs with part-time benefits and part-time pensions. We believe corporations have a responsibility to provide good, full-time jobs, and UPS would like to get away with not doing that."

Rev Jesse Jackson (centre right) raises his hands in solidarity with teamster president, Ron Carey (right) Reuter

UPS strongly denies that it is replacing full-time jobs with part-time ones, pointing out that it has been adding full-time jobs as well as part-time ones. Under an agreement with the teamsters' union, four out of five full-time positions are offered to part-timers.

Besides, it says, most of the part-time positions are filled by college students, housewives and retirees who would not be available for full-time work. "The large majority of people working for UPS in part-time positions want part-time employment," the company says.

UPS claims the teamsters' union is using the part-time issue as a smokescreen to cover up greater concern over a company proposal to set up a new employee pension scheme, ending an arrangement under which UPS pays into 31 local and regional pension funds run by the union. Under the existing arrangement, many companies pay into the same funds, so if one company goes bankrupt, others pick up their pension liability. UPS says it is heavily subsidising other companies' plans, and it could increase UPS employee benefits by 50 per cent if it opted out of multi-employer plans.

However, the uoion appears to have scored a tactical victory by highlighting the role of part-timers. UPS will gain little sympathy for its position if the union succeeds in characterising the company as part of a faceless corporate America bent on destroying "real" jobs in the pursuit of profit.

Nor is this likely to be the only battle over the issue.

As continuing economic growth increases the demand for labour, a more powerful workforce will become less tolerant of high corporate profits and low part-time wages. "The bottom line here is corporate greed: sheer, total greed," says Mr Tony Vee, a UPS driver oo the Manhattan picket line.

Richard Tomkins

Greenspan warns on rules for derivatives

By Tracy Corrigan in New York

Mr Alan Greenspan, the chairman of the US Federal Reserve, has written to the Financial Accounting Standards Board expressing concern about planned new rules on derivatives and urging it to consider an alternative approach.

His position is in direct contrast to that of the Securities and Exchange Commission, the US securities industry regulator, which believes the FASB proposals are reasonable.

The SEC said yesterday that it was preparing a statement on the Greenspan letter.

Mr Greenspan's letter brings fresh pressure to bear on the FASB, which last week received a similar letter signed by prominent US business leaders, including Mr John Reed, chairman of Citicorp, and Mr Douglas Warner, chairman of J.P. Morgan.

The controversy reflects the difficulties faced by regulators in framing rules for the derivatives market, whose explosive growth has outstripped the pace of regulatory adjustments.

In the letter Mr Greenspan describes the FASB rules as a "piecemeal" approach to fair value accounting and warns that the proposed rules "may discourage prudent risk management activities and in some cases could present misleading financial information".

He also warns that the FASB approach would he unlikely to be accepted internationally and urges the accounting body to "re-offer the proposal for formal public comment".

One of the main concerns appears to be that unrealised changes in the value of derivatives instruments would be reflected in the income statement, even though the derivates had no real effect on income, according to a lawyer familiar with the rules.

AMERICAS NEWS DIGEST

Mexico repays $6bn notes

Mexico yesterday paid off $6bn of sovereign notes initially taken out in the aftermath of the country's 1995 financial crisis. The repayment, first announced in June, is a sign of the government's current success in refinancing even very large quantities of debt. The notes came due over the next three years, but the government was able to refinance them at lower rates through a series of large bond issues during the first half of the year.

Yesterday's repayment means that the country will face amortisations averaging $935m a year up to the year 2000, several hundred million dollars less than would have otherwise been the case. Mexico will make savings of $25m a year because of lower interest payments.

The refinancing of the debt comes against the context of large capital flows into Mexico which have increased the value of the peso in nominal terms and helped reserves grow by $9bn so far this year to $15.36bn.

In response to criticism that reserve-building policy could be more aggressive, and worries about a possible over-valuation of the peso, the central bank last week announced it would increase the size of an auction which allows it to accumulate dollar reserves, from $300m to $500m a month, with the possibility of a second monthly auction of equal size. *Daniel Dombey, Mexico City*

■ PENSION FUNDS

6m people sign up

Just over 6.7m people have signed up with Mexico's new private pension fund administrators, according to figures from the Mexican government. The figure, 64 per cent of the total eligible, indicates the liberalisation of the country's social security system, which formally began last month, has already borne results.

The reform is intended to increase the savings rate and provide long-term capital for Mexican businesses, as well as improve the finances of the country's social security institute. Pension fund contributions will be paid to the pension fund administrators, or *Afores*, as a matter of course from September.

In the first six months of this year, the 17 administrators spent an estimated 2bn pesos ($256.4m) on advertising. The *Afores* are dominated by Mexico's big banks, with the top six accounting for over 80 per cent of participants in the scheme. A consolidation in their ranks is expected. *Daniel Dombey*

■ CARIBBEAN VOLCANO

City 'burned to ground'

Plymouth, capital of the Caribbean island of Montserrat, has almost been burned to the ground after the latest in a series of volcanic eruptions. "One can say the city of Plymouth is completely wiped off the map," Mr Jean-Christophe Komorovski, director of the volcano observatory in nearby Guadeloupe, said yesterday.

The strongest eruption from the Soufrière Hills volcano was recorded yesterday after a fresh series of outbursts propelled a stream of molten lava into the capital on Tuesday. Most buildings were destroyed after being set on fire by incandescent rocks, some the size of a truck and moving at 100-200km an hour.

Plymouth was evacuated in April 1996 after eruptions hit the UK colony, located in the Caribbean's Leeward Islands. *AFX, Pointe-à-Pitre, Guadeloupe*

■ ECUADOR

Telecoms sale postponed

The sale of 35 per cent of Ecuador's state telecommunications company, Emetel, to private operators has been postponed again, from mid-September to the end of October, the state privatisation council, Conam, has announced. The delay will give Congress time to amend the telecoms privatisation bill to allow operators to buy into Andinatel and Pacifictel, the two regional companies into which Emetel has been divided.

Congress will also consider allowing operators to renew their concessions after the initial 15-year term. Three multinational telecoms operators, Stet of Italy, Telefonica de Espana of Spain, and GTE of the US have qualified to bid for Emetel. Now the bidding process will be reopened to other operators.

● Mr Marco Flores, a former Social Christian party congressman, took over the finance ministry portfolio from Mr Carlos Davalos yesterday. The new and outgoing ministers, accompanied by Mr Fidel Jaramillo, central bank manager, and Mr Danilo Carrera, monetary board president, were keen to reassure Ecuadoreans and investors no dramatic changes were planned in economic policy. *Justine Newsome, Quito*

US budget deficit revised down $13bn

By Nancy Dunne and Leslie Crawford in Washington

President Bill Clinton yesterday said his administration had revised its calculations for the fiscal 1997 budget deficit to $37bn, down $13bn from an estimate just one week ago.

At a White House press conference yesterday Mr Clinton said there would be a budget surplus in excess of $20bn by 2002, the year by which the bndget was to come into balance. The surplus should be maintained for several years, he said. Without the budget plan, he added, the deficit would have risen next year to $50bn-$100bn and stayed at that level for years after that. It has beeo in the red every year since 1969.

Unexpected strength in the US economy is shrinking the once towering budget deficit so quickly that some economists say the balanced budget deal signed on Tuesday may become completely irrelevant.

Just one year ago, the fiscal deficit was $107bn, a snbstantial drop from fiscal 1995. President Bill Clinton consistently takes credit for the decline and the booming economy, ignoring the spending cuts forced on him after Republicans took over the Congress in 1994.

Mr James O'Sullivan of JP Morgan said the estimate was consistent with numbers released earlier this year. He attributes about 70 per cent of the decline to unexpectedly hefty tax receipts and weaker than expected ontlays for social programmes like healthcare for the poor.

Mr Bill Dudley, of Goldman Sachs, said the $36bn estimate, leaked by the White House in advance of a presidential press conference today, was within $1bn of his own $35bn estimate.

"This explains why the government got its budget deal," he said. "Politicians didn't have to do much heavy lifting."

Mr Dudley said he was disappointed that Congress and the administration had avoided tackling more fundamental fiscal reforms of pensions and healthcare systems.

"Bond traders are very happy with the smaller deficit and the smaller supply of new Treasury securities," said Ms Carol Stone of Nomura Securities International in New York.

However, they will he closely monitoring the government's spending and receipt flows.

Columbia rescue plan sparks fears

Warnings of unrest as Mayor Barry has his powers reduced

The Clinton White House may be preaching democracy in the world and racial harmony at home, but the seething social tensions on its door step could soon present an embarrassing contrast to this upbeat message.

The virtual suppression of "home rule" in the district of Columbia, under a financial rescue plan that was signed into law this week, has angered African-American activists and led to grim warnings of civil disobedience and unrest.

The plan includes nearly $1bn in federal aid for the district – seen by conservatives as a byword for corruption and mismanagement – but it will bring to an end the annual payments of $660m which the district has been receiving in return for services provided to federal agencies.

The political price tag for the takeover of the city's financial burden has been tougher than expected. A financial control board, mandated by Congress two years ago to haul the district out of its financial plight, has taken control of nine major agencies of city government – leaving Mr Marion Barry, the controversial mayor, with vastly reduced powers.

Within hours of assuming its increased powers, the control board had dismissed the heads of four municipal agencies – as demonstrations and a bomb threat disrupted the new authority's first meeting.

For many of the well-heeled lawyers, bureaucrats and lobbyists who make their homes in the sylvan glades of the city's north-west, the move was long overdue. They associate municipal government with high taxes, potholed roads and cronyism. But supporters of Mr Barry, whose popularity was apparently little dented by a conviction for cocaine abuse, see things differently. For them the settlement terms are the latest, malicious move imposed by a Republican Congress that is determined to claw back the home rule which the black-majority city was granted in 1973.

"People elected in other jurisdictions are stripping away the right of local people to participate in a democracy," said the Reverend Graylan Ellis-Hagler, a pastor who has warned of "civil disobedience and righteous rage" in response to the district's virtual takeover.

In an interview yesterday he predicted a "mood of increasing frustration" which "could create a violent atmosphere". There could be acts of civil disobedience "without the discipline" of previous civil rights campaigns.

Asked if there was any suhstance to the charges that Mr Barry had aquandered city funds, Mr Ellis-Hagler said the community would close ranks around its leader because it felt under siege.

"No matter what problems I may have with him, I will support Mayor Barry against the aggression of outsiders," the pastor said. "We can't even have a normal discussion about who should govern us if Congress is always intervening in our affairs."

At least in theory, home rule is supposed to be restored to the district within five years. But in the week when the US government admitted that it had misled the public about Unidentified Flying Objects, new credence has been lent to another long-standing conspiracy theory. This holds that America's masters have a plan to make the nation's capital a white-majority city and re-gentrify some of the drug-ridden slums within a mile of the Capitol.

Bruce Clark

Deloitte & Touche report says $152m spent on overseas players during 1995-96 season

Soccer clubs 'bankroll European game'

By Patrick Harverson in London

English soccer clubs are bankrolling European football. That is the message from yesterday's annual report on the soccer industry by Deloitte & Touche, the accountants. It revealed that English clubs spent almost £93m ($152m) on players from other countries in the 1995-96 season – three times the amount they spent overseas the previous year.

Almost all the monay was invested in players from mainland Europe, to such an extent that the English game has become a main source of income for clubs there.

This is a reversal of history. For decades, English clubs raised much-needed income by sending their best players to Europe.

Clubs have increased their spending on players from outside the UK by an even greater amount since the end of the 1995-96 season. Premier League clubs alone have spent £50m on overseas players over the past three months in preparation for the beginning of the new season at ths weekend.

As more cash flows out of the country, the drain on English soccer's finances is worsening every year, undermining the traditional justification of massive transfer spending that clubs are simply redistributing wealth within the game.

The rise in transfer spending is pushing English clubs further into deficit, according to the report. Football's total income increased 10 per cent to £517m in 1995-96 thanks to growing revenues from television rights, ticket sales, merchandising and sponsorship.

But the money spent on players from outside the UK, combined with the record £140m spent on domestic transfers, left English clubs nursing total losses of £98m in 1995-96, or seven times the £14m losses of the year hefore.

"The amount of money flowing into English football continues to rise but the game sure knows how to spend it," said Mr Gerry Boon, the report's main author.

The influx of non-UK players is fuelling wage inflation. Wage and salary bills for all clubs grew 23 per cent in 1995-96, more than double the growth in clubs' income. Controlling wage costs was "football's biggest challenge", said Deloitte. Newcastle United had the highest pay costs at £19.7m. But top clubs in mainland Europe continued to sustain higher wage bills. AC Milan of Italy paid its players and staff £31.4m in 1995-96.

Premiership clubs remained profitable on an underlying basis.

Exclnding transfer payments, operating profits for the top 20 clubs increased slightly to £51m. But with tha incoma gap between rich and poor clubs widening each year, the three lower divisions racked up operating losses of £42m between them. The Deloitte report also underlined the growing involvement of the City of London in soccer. When the 1995-96 season started there were only three clube listed on the London stock market. Today there are 18 with a combined market capitalisation approaching £1.5bn.

Pursuit of election cheats stepped up

'Vote early and vote often' is traditional advice in N Ireland

Vote early and vote often used to be the advice of candidates in Northern Ireland elections, where vote rigging has a long history.

Last week Ms Mo Mowlam, the chief minister for Northern Ireland in the British government, announced an investigation into polling station malpractice. The move was a clear response to complaints from the moderate nationalist Social Democratic and Labour party, led by Mr John Hume.

The findings will be presented by November, and final recommendations are expected early next year. Both the Ulster Unionist party, the largest pro-British party in Northern Ireland, and the SDLP are calling for identity cards. The SDLP says there was widespread vote stealing in the west Belfast district where Mr Gerry Adams, president of Sinn Féin, the political wing of the IRA, retook the seat from the SDLP in May's British general election.

Mr Pat Bradley, Northern Ireland's chief electoral officer, says the challenge is to create a "water-tight system which doesn't at the same time disenfranchise the voter". He has argued that a much bigger problem is the misuse of postal and proxy votes in marginal, rural seats where traditionally the split in the nationalist vote has allowed a lone pro-British candidate to win.

Paul McErlane

Talks between the British government and Sinn Féin began in Northern Ireland yesterday. The Sinn Féin team, at Stormont Castle, near the principal city of Belfast, consisted of (from left) Caoimghin O'Caolain, the party's member of the Republic of Ireland's parliament; Gerry Adams, party president; Lucilita Bhreatnach, party secretary; Martin McGuinness, chief negotiator; and Martin Ferris, who was an unsuccessful Sinn Féin candidate in the republic's recent elections

Mr Bradley's office is now scrutinising 140,000 applications for postal and proxy votes from people who, for reasons of bealth or work, could not vote in person.

His team has raided more than 200 addresses and interviewed doctors to check voters' claims. Mr Bradley, who has experience of monitoring elections in the former Soviet Union, South Africa and Bosnia, believes there are cases of "prima facie" abuse which be will soon present to the police.

The conviction record is not encouraging. In 25 years only one person has been sentenced for vote abuse in Northern Ireland.

But the issue has taken on a new urgency in the past year, with Northern Ireland holding three elections, each under a different system – from the party list spproach used in last year's Forum elections to choose negotiators for the talks aimed at finding a settlement for Northern Ireland, to the general election under first past the post, and the local government poll under the single transferable vote.

All the parties are anxious to maximise their representation, particularly with moves to set up a Northern Ireland assembly likely to be part of a final settlement.

Competition has intensified in response to fragmentation within the unionist bloc, where there are now five parties, and the challenge posed by a resurgent Sinn Féin to the SDLP.

Mr Bradley says that in many local councils one seat often decides who has control, and that one seat can be decided by a handful of votes.

Since 1985, voters have had to produce identification – a passport, driving licence or medical card. Mr Bradley's office changed the way the electoral register is updated. He argues further steps are needed to "pre-empt" abuse, by keeping a digital profile of voters' signatures.

John Murray Brown

Strength of pound 'may lead to 1999 recession'

By Robert Chote, Economics Editor

The British economy will probably be in recession in 1999 if the pound remains near its present strong level, a leading economic forecasting group says in a report issued today.

If sterling averages DM2.80 over the next three years, output of goods and services will be 2 per cent lower by 2000 than if there were an orderly depreciation to DM2.35, Cambridge Econometrics argues in its latest forecast.

"Under this scenario, consumers' expenditure growth remains strong in 1998 and then falls back sharply in 1999," the forecast says. "A recession would probably be precipitated hy 1999."

The warning came as sterling fell sharply on the eve of the monthly vote on interest rates by the Bank of England's newly independent monetary policy committee. It fell 5.67 pfennigs yesterday and ended the day barely above DM3.

A recent Reuters survey showed two ont of three City economists expecting rates to rise hy a quarter-point to 7 per cent today. But sterling's fall suggests that dealers are not as convinced as they were that borrowing costs will rise.

Cambridge Econometrics predicts that textiles, paper and mnch of engineering and tourism will be the industries worst affected by continued sterling strength. These are industries that are relatively dependent on trade and for which demand is price-sensitive.

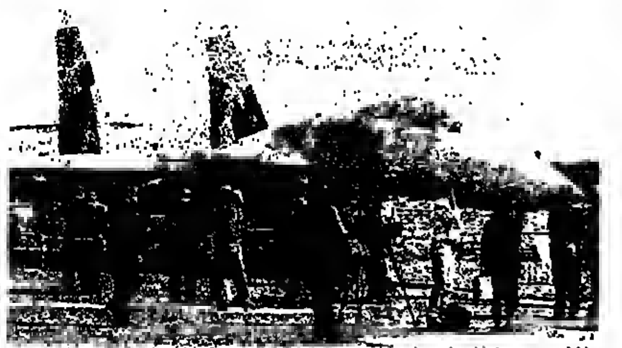
Industries competing in commodity markets – such as oil and metal products – are likely to cut profit margins in order to maintain prices in foreign currency terms. The same is likely to be true of industries where prodnction is integrated across Europe, such as aerospace and cars.

"The longer such low profitability is sustained, the more likely it is that production will be scaled back in the UK," the study says.

Production in all regions of the country would suffer if the pound remains high, with Scotland and Wales likely to see the sharpest slowdown. Scotland's vulnerability reflects its reliance on electronics.

Curious boom, Page 9
Stocks surge, Page 11
Money markets, Page 19

Ethnic groups 'at greater economic risk'



■ Two temporary security guards at last year's Farnborough Air Show were dismissed after a day's work because they were black, an industrial tribunal has ruled. The two men were told after a day's work for Reliance Security Systems that "their faces did not fit" and they were not needed for the week-long event. Each received compensation of between £1,300 ($2,120) and £1,450 for loss of earnings and injury to feelings. "With a large number of casual workers involved in the industry, it is highly likely that these cases represent only a small proportion of the actual level of discrimination," said Sir Herman Ouseley, chairman of the Commission for Racial Equality.

By Andrew Bolger in London

Ethnic minorities feel the pinch of an economic downturn more than white people as far as job prospects are concerned, according to the government's latest Labour Market Trends.

The report says employment and unemployment rates for ethnic minorities have tended to move in tandem with peaks and troughs in the economy, but rise and fall more than for whites.

A recent exception is that the unemployment rate for ethnic groups has fallen proportionately less than for whites during the recovery since 1993.

Government statisticians declined to speculate on the reasons for this trend. But a recent survey by the Policy Studies Institute found that hlack and Asian people think they are treated more unfairly by employers than they were 10 years ago.

Unemployment rates for Black-African men (28 per cent) and Pakistani men (27 per cent) were three times that for white men (9 per cent) last year.

Black-African women (24 per cent) and Pakistani women (30 per cent) bad unemployment rates four times that of white women (6 per cent).

The unemployment rate for ethnic minorities was 2.3 times that for white people in early 1996, compared with 1.7 times between 1987 and 1991.

The PSI said thet one contributing factor could have been that industries and areas in which ethnic workers predominate – such as textiles in the north-west of England – have recovered less quickly than the service sector.

The Office for National Statistics said that only white women had remained virtually unaffected by cyclical changes in the economy. Both their economic activity and employment rates had shown an almost continuous increase since 1984.

Economic activity rates vary widely between ethnic groups, with the greatest variation among women. Last year, working age white and Black-Caribbean women had economic activity rates of 73 per cent compared with 22 to 24 per cent for Bangladeshi and Pakistani women – who also had the lowest employment rates at 17 per cent.

US sets the tempo for selling records online

Some 7.5 per cent of worldwide record sales expected to be on net by 2002

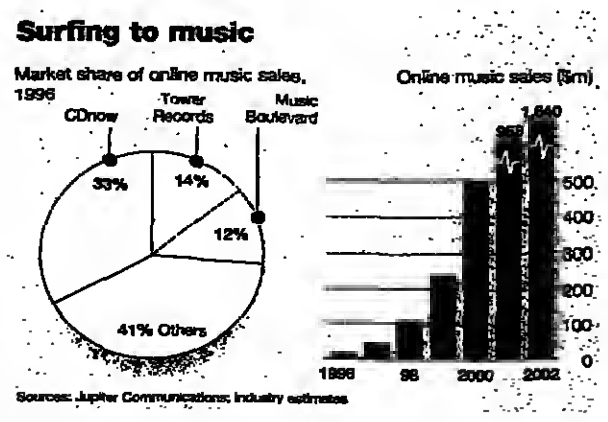
After Mr Jason Olim had spent months fruitlessly searching for an obscure Miles Davis album, he teamed up with his twin brother Matthew to set up an internet record shop run from the basement of their parents' home.

Tha Olim twins, then 24, began their business with a $20,000 loan. Three years later, CDnow, their US-based internet site, is visited by 1m people a month and is the world's largest online record retailer.

CDnow's success has prompted US record chains, including Tower Records and Camelot Music, to launch internet salas operations. Their UK counterparts, Virgin Megastores and HMV, plan to follow suit this autumn. Virgin, ona of W.H. Smith's retail chains, and HMV, part of the EMI music group, are eager to diversify into the small hut fast-growing online music market.

Music is one of the most popular themes on the internet. Thousands of sites cost nothing to access, but the rapid expansion of digital record shops, led by CDnow and Music Boulevard, another specialist online operation, has proved that consumers are willing to buy over the internet.

Jupiter Research, a New York-based internet research consultancy, estimates that online music sales will increase from $18.2m in 1996, to $47m this year. The market is expected to be worth about 7.5 per cent of worldwide record sales by 2002.



CDnow stocks 250,000 albums, videos and CD-Roms. This is particularly attractive to people in rural areas. The online market is potentially extremely profitable because web site overheads are lower than those of a conventional store.

Some US internet retailers are ploughing part of the extra profit into price promotion. Since early summer, the Wal-Mart chain has been selling chart albums for $11.88 (including postage) from its web site – against an average store price of $14.99.

So far, the online music market has avoided the aggressive discounting of the book sector, where prices are reduced by up to 40 per cent. But pricing is a potential problem for HMV and Virgin, which will be competing against rival sites in the US, where albums retail for far less than in the UK.

However, the immediate challenge facing the UK retailers is whether their online plans will affect their rapport with record companies keen to sell directly over the internet, thereby avoiding splitting their profits with retailers.

Over the long term, record labels plan to deliver music directly to consumers' computers as digital signals over the internet or other high-speed networks. This will be even more profitable than internet mail order operations, because it will obviate the need to manufacture CDs and cassettes.

The internet is a mystery to about four-fifths of the British public, a report by CIA MediaLab hased on its monthly surey of 500 adults said yesterday. Only 21 per cent of those surveyed had any idea of what the net was, said the study, although the 15-24 age group fared better, with 35 per cent familiar with the net. A third of all those surveyed said they did not understand what the internet was or how they could access it.

Several UK labels, including EMI and PolyGram, the Dutch entertainment group, are considering selling their back catalogues on web sites. Thay see this as an interim measure which is less likely to alienate their retail customers than selling new releases.

Virgin's and HMV's plans to go online may encourage record companies to speed up their internet projects. The UK record retailers could face competing with their own suppliers, as well as against CDnow and Tower, in cyberspace.

Alice Rawsthorn

Web architects, Page 8

UK NEWS DIGEST

British Airways troubles persist

British Airways said yesterday it could be 10 days before all its European services from Heathrow were running normally. It hlamed the continuing impact of cabin crew staying off sick.

BA now intends to review its sickness policies and procedures for cabin crew after many called in sick rather than join last month's three-day strike. It has also introdnced a "fast-track" training programme for new cabin crew recruits.

The airline was dismayed by the impact of cabin crew going sick during the dispute – which Mr Robert Ayling, BA's chief executive, admitted this week would cost the company £125m ($203m). Although claiming that fewer than 300 cabin crew formally went on strike, BA said more than 2,000 went sick.

BA said yesterday that the number of cabin crew registered sick at Heathrow had fallen by 30 per cent in the past four days and European services were running at 98 per cent of their full timetable. At Gatwick airport, cabin crew sickness levels have now returned to the seasonal average. Services from Gatwick, international flights from UK regional airports and all UK domestic routes are running a full schedule. *Andrew Bolger, London*

■ EU FISHING RULES

More decommissioning on way

Further decommissioning of fishing boats was announced yesterday by Mr Elliot Morley, fisheries minister, in an attempt to meet EU targets for capacity reductions. Up to £12m ($19.5m) is available in the current financial year under the EU's system of "multi-annual guidance programmes" (MAGP) designed to conserve dwindling fish stocks by reducing fishing activity.

Owners are invited to "bid in" vessels, and tenders will be accepted on a value-for-money basis. In the past four years, 578 British boats totalling 17,586 tonnes have been decommissioned at a cost of £36.4m. That reduced the national fishing fleet by over 8 per cent.

The plan comes when fishermen are still disgruntled about "qnota-hoppers" – vessels on the UK register which are not UK-owned. These now account for 26 per cent of the fleet. Mr Barrie Deas, chief executive of the National Federation of Fishermen's Organisations, said that decommissioning was "tha lesser of two evils" when the alternative was a limit on the number of days boats can spend at sea. *Maggie Urry, London*

■ CAR SALES

Market shrugs off downturn

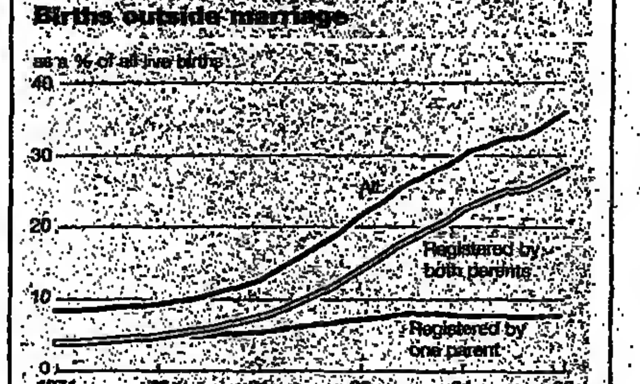
Registrations of new cars fell by 7.8 per cent to 36,069 last month compared with Juna 1996 in an unexpected large drop ahead of the big August sales period.

However, the year's buoyant market was barely affected by the July downturn with registrations of new cars rising 4.9 per cent to 1.09m in the first seven months of this year compared with the same period last year. The Society of Motor Manufacturers and Traders is expecting near-record sales of 490,000 cars this month as buyers flock to purchase the first vehicles with the 1997-98 "R" prefix on their licence plates. *Haig Simonian, London*

■ FAMILIES SURVEY

Parental group now a minority

Weddings have halved, divorces trebled and the proportion of children born outside marriage quadrupled within the space of a single generation. That is the starting point for Social Focus on Families, the most wide-ranging official study of the subject which is published today by the government's Office for National Statistics.



The most familiar image of the family, the couple with dependent children, has become a minority way of life. Today only 40 per cent of people live in such a grouping, although it remains the biggest single form of family structure. But most people – 84 per cent of the population – continue to live as part of a family of some type. Lone parents now head 22 per cent of all families with dependent children, nearly three times the proportion in 1971.

The study suggests thet the changes in family structure which it charts "could be seen more as a symptom of broader socio-economic changes, such as those in the labour market, and less to do with negative attitudes towards the concept of the family". *Alan Pike, London*

■ $325m SCHEME DROPPED

Developer may sue government

A property developer may sue the government after ministers dropped a £200m ($325m) scheme to renovate the Treasury's headquarters near the House of Parliament using private sector funding.

Exchequer Partnership, a consortium including Stanhope, Bovis Construction and Hambros bank, signed an agreement with the previous government in January and is understood to have spent more than £1m developing what Conservative ministers saw as a flagship project under the private finance initiative, in which private finance is attracted to public projects.

But Mr Geoffrey Robinson, the paymaster-general, said last week that employing the private sector in the proposed Treasury refurbishment "would have involved substantial expenditure and significant financial risks" – apparently contradicting the government's favourable outlook towards PFI.

● Intervention by the National Audit Office has led to some private finance initiative deals being renegotiated to obtain better value for the taxpayer, the annual report from the government spending watchdog showed yesterday. *Liam Halligan, London*

■ GOVERNMENT BONDS

Watchdog qualifies accounts view

Sir John Bourne, head of the National Audit Office, has qualified his opinion on accounts which record the government's transactions in gilt-edged securities (government bonds). Sir John said that because of a lack of access to information he would qualify the accounts from December 1993 to March 1996. He stressed that there was no evidence of irregularity or loss of public funds.

The Gilt-edged Official Operations Accounts (GOOA) were set up in response to articles in the Maastricht Treaty. Lack of access to data on the Bank of England's systems and controls meant that the accounting officer at the National Debt Office responsible for the GOOA was unable to check figures fully. *Jim Kelly, London*

ARTS

Cinema/Nigel Andrews

Messing up movietown

BEAN
Mel Smith

GROSSE POINTE BLANK
George Armitage

ROSEANNA'S GRAVE
Paul Weiland

MA VIE SEXUELLE
Arnaud Desplechin

TIERRA
Julio Medem

It is a media-studies exam subject waiting to happen: "Bean – innocent buffoon or malicious prankster?" Eggheads yet unborn will gaze on Rowan Atkinson's comic Everyman, wondering what iconic store a nation, a continent, apparently e world (if we judge by the 94 countries where he has been broadcast) lay by this gibbering ill-achiever with the strangled voice, pursed jaw and tweed jacket.

Bean is not an *acquired taste*; you either have it or not. You might, though, in a moment or doubt or panic, try to *un*acquire it. For instance after seeing this movie. In bite-sized imbroglios on television it is easy to like Bean, even though there seems to be more than one. Is he e cunning mischief-maker or a sainted nincompoop? He behaves like both, and while we are watching cars smash, plaster-cast hospital patients fall apart and other Bean specialities we are too diverted to split psycho-behavioural hairs.

In a 90-minute movie, though, there is time to split hairs, weigh them, classify them. Bean is not in surreal limbo bere, he is in e story. So he has must measure up to thet troublesome thing called narrative logic. Since the logic fails us here in scene one – requiring the eudience to believe that a Los Angeles art museum buying back an American art treasure, "Whistler's Mother", from a Paris museum would feel compelled to ask London for a British expert to unveil it (why?) – there is no sustainable climbing frame for Bean to clamber over, pausing to perform his set-pieces like a monkey at feeding time.

The querulous questions accumulate. Even in the land of farce would Bean, an incompetent guard at London's "Royal National Gallery" (cue shot of London's National Portrait Gallery), really be sent as a pretence professor, even by employers who wished to off-load him on the gullible yanks? (The film's cultural stereotype, not mine.) And once there, would Bean be believed for two seconds, since his vocabulary consists of one self-identifying word preceded by one grunt – "Erghh, B-e-a-n" – while his body language suggests e weasel gripped by the onset of diarrhoea.

Writers Richard Curtis and Robin Driscoll and director Mel Smith behave like men gripped by OSI: overseas sales imperative. Bean would have been funnier and more bellevable messing up his native habitat. But since this is a movie we must go to movietown. Burt Reynolds must be trundled through in a guest role, skateboarding must feature in at least one scene, and Bean must stay and cause havoc in a "typical American home."

Peter MacNicol almost saves the day as Bean's L.A. host and art colleague. This fuzzy-headed actor is likable, manic and human all at once. But even he cannot distract us from the inconsistencies in Bean's persona. These require, *inter olia*, that our hero escape unarrested from the airport after causing a premeditated fracas by pretending to have e gun, then get into a multi-scene pother of social embarrassment after splashing water on his trousers in the gallery loo.

Now Bean is either a gung-ho anarch or an uptight diffident Brit. Even as played by the rubbery Rowan Atkinson he cannot be both characters; and after an hour of *Bean*, audiences might wish they were in the company of neither.

Narrative logic failure: Rowan Atkinson as Bean, the gibbering ill-achiever with the strangled voice

★

Grosse Pointe Blank, a drily wacky comedy thriller, is about that difficult moment for hired assassins when they realise they are 35. Taking stock of their lives, they wonder if they should go to their imminent high school reunion and what they will say when they get there. "'I killed the President of Paraguay with a fork. How are you?'" mock-rehearses John Cusack.

Psychoanalyst Alan Arkin thinks Cusack should go, mainly because Arkin, unnerved by discovering his client's profession, wants him out of his office. "Don't kill anybody for a few days, see how it feels," he helpfully suggests.

Directed by George Armitage, who made another tale of a killer seized by self-assessment, *Miami Blues*, the film is sweet, funny, and sardonic, though slower than it needs to be. It takes an age to get its hero to the party, mainly because he stops to rekindle young ex-school flame Minnie Driver. She lends extra charm to the film, but it has plenty of that already. What was oeeded was more anarchy, as provided brie0y by Dan Aykroyd as a barkiog, vast-girthed rival hitman who seems to have heen hitting, mainly, the cheeseburgers.

Elsewhere the week is given over to two foreign films, three if you count *Roseanna's Grave* where everyone speaks with a stage-Italian accent. This sentimental black comedy boasts an Eoglish director, Paul Weiland (of TV's *Mr Bean*), an American writer, Saul Turteltauh, and a Frencb star, Jean Reno. Shot in rural Italy by a commercials-hooed British cameraman, Henry Braham, it seems like a Martini advertisement searching for an identity and e plot.

Everyone, as it happens, is searching for a plot: the last plot in the cemetery. Reno's dying wife Mercedes Ruehl wants that precious gravespace. So the script decrees that villagers are either prevented from expiring or are hidden comically in freezers if they do so.

There is much strain, subterfuge and manipulation of destiny, just as there is in the film's press notes. These state that Weiland's debut feature was *City Slickers 2*, when it was actually the near-legendary Bill Cosby disaster *Leonard Port VI*. But looking for accurate history from publicists is like looking for that last, honest plot on the hillside.

The title of Arnaud Desplechios' *Mo Vie Sexuelle* may excite a Gadarene rush to the box office. But this, be warned, is a three-hour French film about life, death and inner crisis. Actresses take their clothes off mainly to perform not-for-the-squeamish DIY gynaecological acts. The men bare oought but their souls, in cataracts of *distrait* talk such as we expect in the age of Rohmer.

This is still the best film of the week. Postgraduate life among manic-depressive tweotysomethings was ever thus: squalls in the brain accompanied by storms in the libido. Mathieu Amalric is riveting as the Joyceanly named hero, Paul Dedalus, a shock-haired, shock-eyed intellectual satyr for whom girlfrieods are as varied and impersonal as books. They are taken to bed to fall asleep over, to hattle boredom with, or more rarely to cause consuming, insomniac obsessions. Desplechins directs with no concern for the ticking clock and makes three hours pass like one.

Julio Medem's *Tierra* is shorter and longer. The 120 minutes march like meditative woodlice through this Spanish tale of an exterminating angel: a field fumigator called, yes, Angel (Carmelo Gomez), who communes with the cosmos while spraying the lice-riddeo vineyards. There are love, hate, metaphysics and local colour, but oot enough of any to stop the film resembling an unhappy collision between Maeterlink and Lorca.

Salzburg Festival

'Boris' with brio

No mnsician can he husier, or more flight-weary, than Valery Gergiev. He has just made his Salzburg debut, creating a sensation with the rew energy of his conducting in *Boris Godunov*. Performances continne till Angust 30, hnt Gergiev is also a mainstay of this month's Edinburgh festival, to which be brings his Kirov and Rotterdam Philharmonic Orchestras for two blocks of concerts. As if that was not enongh, the opening night of *Boris* was spliced between two Kirov performances of *Parsifal* at Savonlinna in Finland. Gergiev's addiction to work is legendary, hnt eveo by his extraordinary standards, this amount of shnttling back and forth must set a record.

In Salzhurg, be has rejnvenated a prodnction of *Boris* which hegan life at the 1994 Easter festival under Clandio Abhado. Althongh Abbado had gone hack to Musorgsky's original instrumentation, the sound he produced with the Berlin Philharmonic could almost have been mistaken for the Rimsky-Korsakov version that Karajan nsed, so sumptuous and symphonic was the overall conception. It was *Boris* shorn of its Russian-ness.

The marvel about Gergiev's first encounter witb the Vienna Philharmonic was that, hlindfold, you could have sworn it was the Kirov. Anyone who thinks the Viennese musicians have their own nnswerving *Klong*, rendering a silken smoothness to everything they tonch, should have listened to the Slavonic attack Gergiev procured. Pimen's solemn narration is not an obvious sonrce of drama, hnt Gergiev made it sound lean and tense, and drew it to a brilliant crescendo. In the Polish scene, we could hear what Tcheikovsky learned from Musorgsky – the yearning strings, the passion, the distinctive woodwind timbres.

Gergiev's intensity was transmitted in equal proportion to the cast, many of whom were new to the production. From St Petershurg he brought Olga Borodina – e Marina regal in presence, glittering in tone and effortlessly commanding in her marriage of word and line. A little-known compatriot, Vledimir Vaneev, was a last-minnte replacement in the title role, hut yon wouldn't heve known it from his accomplished performance. Young and well huilt, he captured the human heart behind the tsar – the impnlsiveness and insecnrity, and the sense of being imprisoned by power. The voice may not boom, but Vaneev sings intelligently and knows how to act. The same applies to Philip Langridge's incomperable Shuisky – a poisonous snake in human guise.

The prodnction, directed and designed by Herbert Wernicke, presents *Boris* as a pessimistic allegory of Russian history, trapped in an unending cycle of confusion and turmoil. Boris and tha boyars are a business-suited mafia; the moh is swept across-stage beneath an endless panorama of tsarist portraits, from Ivan the Terrible to Boris Yeltsin. All this finds a natural home in the vast expanse of the Grosses Festspielhaus, bnt it treats *Boris* from a hleak, western viewpoint. Gergiev's achievement was to restore its Russian colour.

Andrew Clark

Alastair Muir

A latter-day Orpheus and Eurydice tale: Alan Bates and Georgina Hale in Simon Gray's new play, 'Life Support'

Theatre/Alastair Macaulay

Fantasy in the face of lifelessness

Throughout *Life Support*, Simon Gray's new play, Gwen lies vegetating in e hospitable hed. Meanwhile, her husband Jeff waits; and talks to her in the hope that she will hear; and, first whimsically and later desperately, encourages other visitors to talk to her too; and imagines her replying to him; and hlames himself for his share in her condition and for past problems; and hlames her e little. It was merely a bee-sting thet incapacitated her; and he goes over the incident surrounding that bee-sting again and again, recycling it in different versions. In the final scene, he is encouraged hy the hospital staff, oo longer hopeful, to consider terminating her life.

Gray catches each stage and each aspect of Jeff's plight, with humanity and multi-faceted irony. What is real any more except this non-life in the hospital room? Even the scenes with visitors seem less real than Jeff's part-fantasy soliloquies. Not only is Jeff the spouse who thinks and speaks, he is also a well-known writer, and the play is dotted with voice-overs of the writerly and possibly fictional accounts of events. Not only does Jeff, waiting there, imagine Gwen conversing with him, Gray at one stage also has Gwen herself start to speak the lines that Jeff imagines her using. Is she better, or is he projecting his imagination? For quite a while, we are not sure. Then – in a scene that nobody seeing *Life Support* is likely to forget – he sits speaking to Gwen with his back to her, and she not only replies hut asks him why he won't turn to look at her. Because, he replies, when he looks she will have reverted to lifelessness. "When I don't see you I can make you up."

What is this but the story of Orpheus and Eurydice? The artist whose wife dies, and who goes through hell in his quest for her, finds that she only stays alive for him if he averts his eyes from her.

Gray's poetic cleverness and wit are not in doubt. And yet *Life Support* is an insubstantial play. Its humanity seems less forceful than its ironies, and its ironies seem largely to be those of a consummate playwright coolly trying out this twist, then that, for dramatic effect. Harold Pinter, directing, has ensured that each facet emerges with lucidity. We seem, however, to be watching it from a great distance.

As Jeff, Alan Bates gives his hest stage performance for several years. True, Jeff's urbane manners and his part-crazed solipsism fit Bates like a glove, but he has pared away some of his actorly tricks of vocal inflection, facial expression, and carriage of the head, until all they do is deepen Jeff's situation. Early on, as the doctor talks to him, we realise that what matters most is not the doctor but how Bates is listening, with a certain detachment, with certain tiny, defensive lifts of the chin, and with a near-deadness about the eye that tells us how husily Jeff is thinking, and thinking only partly about what the doctor is saying.

Excellent, but not engaging. Two of the other roles are mere theatrical devices. The arch Nickolas Grace is well equipped to play Jeff's mendacious and theatrical brother, few of whose words (we soon realise) we should believe – but he somewhat overplays his part. (His extended gestures are one more layer of insincere artifice than the character needs.) As Jeff's agent (and then some) Julia, Carole Simmons copes hravely with the impossible situation into which Jeff, and Gray, have thrown her.

In the role of Dr O'Brien, Frank McCusker's puckishness is perfect; as Gwen, Georgina Hale actually manages to he just what the role should be – haunting. The playing hetween Bates and these two actors could not he more perfectly judged. On press night, they even managed to transcend the mobile phone from hell.

Aldwych Theatre, WC2.

INTERNATIONAL

ARTS GUIDE

■ BRECON

JAZZ
Brecon Jazz
Tel: 44-1874-625557
The best thing about this three-day event is its Welsh market town setting. On Friday the Benny Green Trio plays Christ College, on Saturday New Orleans trumpeter Nicholas Payton and his Gumbo Nouveau Quintet can be seen at the same venue. The Carnegie Hall Jazz Band, led by Jon Feddis, plays the Market Hall on Sunday. Courtney Pine, Diana Krall, Django Bates and Jools Holland are among the numerous other attractions; Aug 8-10

■ EDINBURGH

Edinburgh International Festival
Tel: 44-171-473 2000
DANCE
● Fish: by the Bangarra Dance Theatre. UK debut for the Australian company and world premiere of a work which tells contemporary stories of Australia's indigenous population drawing on ancient myths and sacred dreamings; at the King's Theatre; Aug 12
● Tharp! new works by Twyla Tharp: *Sweet Fields*, danced to Shaker hymns and other American choral music, "66", and *Heroes*, with music by Philip Glass; at the Edinburgh Playhouse; Aug 11, 12

OPERA
● Macbeth: by Giuseppe Verdi (original 1847 version): concert performance given by the Chorus and Orchestra of the Royal Opera House, conducted by Edward Downes; at the Edinburgh Festival Theatre; Aug 12, 15, 16
● Platée: by Jean-Philippe Rameau. Directed and choreographed by Mark Morris, this production – sung in French, with English supertitles – stars tenor Jean-Paul Fouchécourt in the title role, with Diana Montague and François le Roux as Junon and Jupiter. With the Mark Morris Dance Group, Royal Opera Chorus and Orchestra of the Royal Opera House. Conducted by Nicholas McGegan; at the Edinburgh Festival Theatre; Aug 11

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: conducted by Martyn Brabbins in works by Bartók, Strauss and Mahler. With soprano Inger Dam-Jensen; Aug 7
● Evgeny Kissen: the Russian pianist gives a solo recital – a Proms innovation – of works by Haydn, Liszt and Chopin; Aug 10
● Georgian Folk Songs: performed by the all-male Rustavi Choir, conducted by Ansor Erkomaishvili; Aug 8
● Jiří Bělohlávek conducts the BBC Symphony Orchestra in works by Bartók, Luciano Berio, Schubert and Dvořák; Aug 8
● Sir Colin Davis conducts the National Youth Orchestra of Great Britain in works by Sir Michael Tippett, Vaughan Williams and Sibelius; Aug 9

■ PESARO

Rossini Opera Festival
Tel: 39-721-33184
CONCERTS
Latvian Philharmonic Chamber Orchestra: in works by Mozart, Rossini and Caikovskij; with piano soloist Massimo Lambertini; Aug 8

OPERA
● Il Signor Bruschino: directed by Roberto de Simone. With the Ort-Orchestra of Tuscany conducted by Corrado Rovaris; at the Auditorium Pedrotti; Aug 10
● Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as *Moses in Egypt* in 1818 – is staged by Graham Vick; Conducted by Vladimir Jurowski; at the Palafestival; Aug 9

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
Klangforum Wien: conducted by Johannes Kalitzke in a programme including works by Essl; at the Mozarteum; Aug 7

OPERA
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 8, 10
● Lucio Silla: by Mozart. Conducted by Sylvain Cambreling and directed by Peter Mussbach with designs by Robert Longo. Cast includes David Kuebler and Susan Graham. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 7, 9, 12
● Pelléas et Mélisande: by Debussy. New production conducted by Sylvain Cambreling and directed by Robert Wilson, with a cast including Dawn Upshaw. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 10

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Aug 8
● La Traviata: Linda Brovsky directs this new production of Verdi'e opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 9, 12
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Aug 7

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● Oslo Philharmonic: conducted by Mariss Jansons in works by Nordheim, Bartók and Dvořák; at the Musikhalle, Hamburg; Aug 11
● Philharmonie der Nationen: conducted by Justuz Frantz in works by Rossini, Mendelssohn, Respighi and Verdi; at the Musik- und Kongresshalle, Lübeck on Aug 7

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by Seiji Ozawa and Lukas Foss in works by Bach, Foss and Bizet. With flautist James Galway and violin soloist Tamara Smirnova; the Shed; Aug 8
● Boston Symphony Orchestra: conducted by Charles Duteit in works by Berlioz, Rachmaninoff and Bartók. With piano soloist Yefim Bronfman; the Shed; Aug 9
● Boston Symphony Orchestra: conducted by Charles Dutoit in works by Ravel, Rouse and Haydn. With cellist Yo-Yo Ma; the Shed; Aug 10
● Clarinet player Richard Stoltzman and pianist Lukas Foss: perform works by Gershwin, Copland, Ives and Foss; Ozawa Hall; Aug 7

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 10 & 15 Maria Guleghina sings the title role
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli; Aug 7
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; Aug 9
● Rigoletto: by Verdi. Conducted by Nello Santi in a revival of Lotfi Mansouri's staging; Aug 8

■ WASHINGTON

EXHIBITIONS
National Gallery of Art
Tel: 1-202-737 4215
Sculpture of Angkor and Ancient Cambodia: Millennium of Glory. Around 100 works dating from 6th-16th centuries make up this exhibition of Khmer sculpture, the first of its kind in the US. Previously seen in Parie, the show will travel to Japan; to Sep 28

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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(Central European Time)

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Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

A hole of its own making

Ted Bardacke wonders whether an IMF deal will be enough to revive Thailand's economy

Holes are a common sight in Thailand.

There are holes in the streets, wbere releys of workars dig up sewers or *install fibre-optic telephone* lines. Larger holes are found on the bigbweys, where overweight trucks are allowed by bribed policemen to ply the thoroughfares.

Now, suddenly, comes the biggest bole yet – one in the public accounts. This has so far cost $20bn and shows signs of getting bigger.

On Tuesday, the Bank of Thailand detailed *parts* of an economic reform package designed to obtain between $12bn and $15bn in emergency credits from the International Monetary Fund. Simultaneously, it announced it had lent, apparently in the same chaotic way that other holes are created, nearly $16bn to the finance companies it has now declared insolvent. Another $3bn in public money has been spent to bail out the fraud-ridden Bangkok Bank of Commerce over the past 18 months.

In addition to all tbat came yesterday's guarantee – worth at least $7bn and perhaps as much as $31bn – to protect all depositors and creditors at both tbe suspended and operating finance companies. In all, the size of Thailand's financial system bailout is comparable to the US Savings & Loan debacle.

Little wonder then that the country was forced to turn to the IMF. But after botching last month's flotation of the baht, the fact tbat the government had to be dragged to the negotiating table must cast doubts on its real commitment to reform.

"f have never seen Thailand in sucb a serious crisis," Mr Anand Panyaracbun told reporters this week. And he should know: twice this decade he was appointed prime minister after bloody military coups.

He added that "there is nowhere else in this world where people have lost all faith in their own government and prefer their financial and monetary affairs to be managed by the IMF."

The *frustration* of *influen*tial intellectuals and economists was, in large part, due to the belief that the Thai governmeot could have forestalled the crisis on its own. *The belief is that* it *should* not have waited so long to float the baht and then to announce measures to deal with the aftermath of its 20 per cent fall.

By most economists' reckoning, at the start of tbe year tbe country faced no imminent balance of payments crisis. The currency was not seriously overvalued, the first budget deficit in a decade was going to be manageable and international financial markets were giving Thailand some breathing space. If at that point the government had taken some tough decisions – by introdncing more flexibility to the baht, cutting government spending and being tough with insolvent financial institutions – it would have rescued the economy oo its own with less pain.

But a *government* that came to power by spending nearly $1bn to buy votes was not going to trample on vested interests voluntarily.

"Politicians are quite *happy not taking decisions* that are painful. That bas been the theme of this entire year," says Mr Ammar Siamwalla of the Thailand Development Research Institute, an independent think-tank. "What preceded the devaluetion was total incompetence."

Some in Thailand are worried that by, in effect, farming out the dlfficult economic decisions to the IMF, the government will never learn to tackle difficult issues on its own. There is a fear that, once the economy gets back on its feet, the government will fall into past patterns. This would risk turning Thailand into a boom-and-bust country more akin to Latin America in the 1970s than other south-east Asian tigers.

"In a couple of years we will be back in business, *although* it won't be *due to* the government," Mr Ammar says.

Most analysts agree with Mr Ammar's contention that it will be at least two years *before Thailand, one of the* world's fastest growing economies between 1986 and 1996, can rejoin the ranks of the tiger cubs. Corporate Thailand bes borrowed more money, both in ebsolute terms and as a percentage of gross domestic product, than its south-east Asian neighbours. fts domestic interest payments as a percentage of GDP are three times those of Mexico's at the time of the peso devaluation, according to Morgan Stanley and Goldman Sachs.

When Thailand's non-performing loans rise as a result of IMF-approved belt-tightening, the pressure on the government's balance sheet is going to grow further. This is not lost on other south-east Aslan countries trying both to learn from Thailand and distance themselves from it at the same time.

"*Long-term prospects for* Theiland are good. But ... we must never let this happen to us," Mr Lee Hsien Loong, Singapore's deputy prime minister, told a gatbering on *Sunday* to commemorate that country's National Day.

Yesterday, some commercial banks experienced e run on their deposits prompting a return of rumours, categorically denied by the central bank, that e number of small banks could also be shut down.

But even if the Bank of Thailand's assurances are to be believed – difficult for some who have seen the institution reverse course with tidal regularity – brokerage W.I. Carr estimates that by closing down half of the financial institutions the central bank has locked up 10 per cent of the financial system's deposits and 15 per cent of its assets. This will deprive the already cash-strapped manufacturing companies of much needed liquidity.

"The impact on the real economy is going to be very, very large," says Mr Warut Slwasariyanon, head of research at ING Barings in Bangkok.

"Companies end financial institutions are just hoarding cash right now. There isn't much scope for interest rates to come down for the next 6 to 9 months," he says.

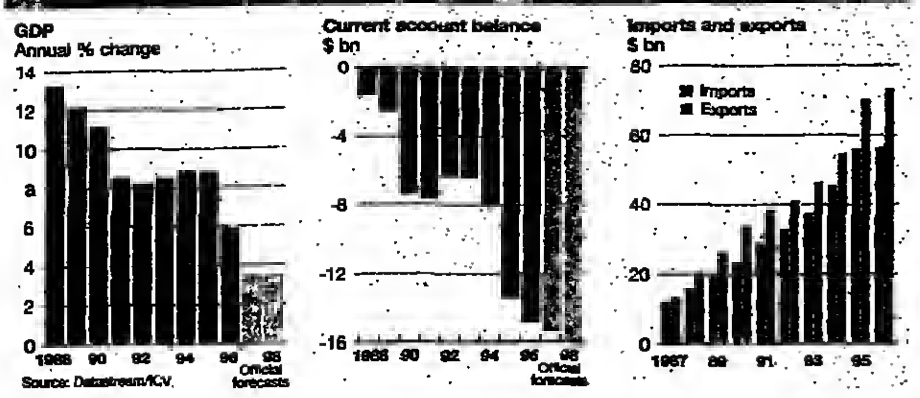
Thai officials say this is now the IMF's problem. They have declared victory and retreated. Believing he has won the economic battle by calling up reinforcements, Mr Chavalit Yongchaiyudh, the prime minister, is now moving on to the even trickier problem of political reform.

He is seeking to muster support for a new constitution, designed to reduce the influence of money in politics and creete a more accountable and professional government. This, the optimists hope, will provide the political snpport that economic reformers in Thailand will need. A draft version of the constitution goes to parliament next month.

Getting the charter passed will once again require difficult and painful decisions. Many politicians, including members of General Chavalit's coalition, could see their incrative careers ended by pobtical reform.

"*I am optimistic the new* constitution will pass. It won't completely clean up politics but it won't be as bad as it is now," says Mr Ammar. "But I don't know *where* in between *those* two options it will fall."

Is Thailand hitting bottom?



BOOK REVIEW · Nicholas Denton

ARCHITECTS OF THE WEB: By Robert Reid
John Wiley & Sons, £19.99, $27.95, 370pp

The dizzy growth of the internet

When Mr Michael Moritz, one of Silicon Valley's pre-eminent vanture capitalists, met some of the internet's future moguls, this was the scene. "They were sitting in this cnbe," says Mr Moritz of the trailer from which two Stanford University students managed e directory of sites on the world wide web. "The shades [were] drawn tight, the Sun servers [computers] generating a ferocious amount of heat, the answering machine going on and off every couple of minntes, golf clnbs stashed against the walls, pizza cartons on the floor, and unwashed clothes strewn around."

Out of this student hobby emerged Yahoo!, a leading service for nevigating the internet. In little more than a year after Mr Moritz's visit, Yahoo! went public: the stakes of Mr Jerry Yang and Mr David Filo, its student founders, were worth more than $100m *(£61.3m)* each.

These are the instant fortunes made in web time, the accelerated pace of change prompted by the internet, and vividly chronicled in this book by Robert Reid. Subtitled "1,000 days that changed the face of business", this warp-speed history begins in 1993 with Mosaic, the first program allowing personal computers to browse the web.

The web has garnered mass appeal. By December 1996, wben the book ends, web pages were carrying animation and full-blown computer programs and the internet was beginning to subsume other industries such as telecommunications and media.

With only a mild overdose of west coast enthusiasm, Mr Reid concludes: "This is an astonishing arc of *growth* and improvement ... But, dramatic as it all was, it was but e preshadowing of what is yet to come."

Mr Yang is one of the eight internet entrepreneurs through whom Mr Reid traces tbe web's development. The speed of their rise to fame reflects the growth of tha new medium.

In the year in which Mosaic was launched, Mr Yang was studying electrical engineering at Stanford and discovering the internet. Mr Marc Andreessen, one of the founders of Netscape, the leeding internet software start-up company, was a 22-year-old undergraduate at the University of Illinois. Mr Rob Glaser, now chief executive of Progressive Networks, wes wandering through Egypt after growing bored with his career at Microsoft.

It is not yet clear whether the internet will make tycoons of its pioneers as the PC made hillionaires of Mr Bill Gates of Microsoft and Mr Michael Dell of Dell Computer. Some of the adventures bave soured already. Mr Mark Pesce, who helped bring three-dimensional objects to the web, has seen his creation taken over by established companies. Mr Andreessen and Mr Yang have ceded control of their ventures to more seasoned executives brought in by financial backers.

Looming over Mr Reid's internet heroes is a character who steals every scene: Mr Gates. It appeared for e few euphoric months that internet start-ups snch as Netscape could challenge the software giant's hegemony over the market for PC software. But it did not take into eccount the extraordinary flexibility of Microsoft when it vowed in December 1995 to reconstruct its business around tha internet. Microsoft's Internet Explorer browser software is gaining market sbare and the respect of even those wbo had rooted for the rival Navigetor from Netscape. Embrace and extend, was Microsoft's internet motto; mora like swallow yon whole, quips one of the book's protagonists.

The question is whether a revolution begun by students will be completed by Microsoft, by the established giants in industries such as telecommunications and media, and by tha besuited executives in charge at many start-ups. Mr Halsey Minor, chief executive of online publisher Cnet, and one of the few young founders to remain et the helm, believes the internet is already staked out.

To Mr Minor, the web may appear to be the end of compnter history. But he had mistakenly thought the same wben he witnessed the *birth of the PC* as a teenager. There are many such second chances, not just for precocious entrepreneurs such as Mr Minor, but also for veterans like Mr Jim Clark. The browser software upon which Netscape was built may have been the brainchild of Mr Andreessen, but it was Mr Clark, the billionaire founder of Silicon Graphics and a compulsive entrepreneur, who listened to the gawky programmer and put together the company.

Outsiders wonder why Silicon Valley produces so many entrepreneurs. There are many reasons, such as the presence of Stanford University and nurturing by sophisticated venture capitalists. But its culture of risk-taking owes et least something to the community's unshakeable belief that, if things don't work this time, there is always another chance.

Architects of the Web *is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

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'The Balkans' concept lies in western minds

From Professor Vladimir J. Konecni.

Sir, Alex Morrowsmith describes in his article "Tbe valley of burning desires" (Weekend FT, August 2/3) how Bosnian Croats torched Bosnian Serb homes as late as May of 1997, right under the nose of a Canadian Nato unit that is part of the stablisation force Sfor, "ensuring that the former [Bosnian Serb] householders would not return to ... vote" in an election decreed by the Dayton Accord and that the Sfor is supposed to upbold.

Mr Morrowsmith also gives an account of how Croat second world war veterans, who "had quite a few highly identifiable Iron Crosses ... and ... other badges ... awarded by their then Nazi allies" were allowed to parade with British troops on Armistice Day 1996 in Drvar.

Given such examples of Nato bias and cynicism, Mr Morrowsmith's sigh that "this, after all, is the Balkans" rings offensively false. Croat opportunistic actions of this type became possible only after Yugoslavia had been broken up – in large part with western connivance and with unconcealed glee in Bonn and Washington.

The true locale of "the Balkans" is in scheming western minds.

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Open minds to the language of music

From Mr Stephen Carbonara.

Sir, Andrew Clark ("Throw out the music and sing", July 26/27) states what jazz musicians have known all along: that music is to be "heard" and not necessarily *to be "seen", proof of this* being that there are, and always have been, great blind musicians.

Ooe should think of music as a language: we learn in *infancy first* to *hear, then* to speak, and finally to read and write at school. To converse we would not limit ourselves to the printed word; we need our musical literature also. It would be foolish to suggest that young musicians refrain from learning to read. Far from it, they need to tap this wealth of genius that is the great composers' legacy and our *record of musical history.* Musicians should do both – read the masters and develop the creative facility of playing without the written note.

One day historians might look again upon the 20th century and find that its outstanding musical event was the revival of improvisation. (having been neglected during the Classical and Romantic periods). It is e comforting thought that my own country, being the source of so much of the mindless drivel that pollutes the "entertainment industry" *today, also happens to be the* place wbere this lost intellectual art raised itself to prominence.

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'Cut and paste' regulation will not work

From Lady Howe.

Sir, Raymond Snoddy ("TV regulation needs update", August 4) calls for the abolition of the Broadcasting Standards Commission but he does so on some fairly shaky foundstions. He cites Channel 4's response to the BSC's finding on *Ladybird Ladybird*, recalling that Michael Grade, former Channel 4 chief executive, was "frequently moved to comment similarly in response to the BSC's findings". There have been two high-profile debates with Channel 4 in the last eight years with *Ladybird Ladybird* as the third. We have a less sensitive attitude towards frequeocy than Mr Snoddy.

Dispute with broadcasters and dispute of this strength is rare. In 40 per cent of cases taken to an upheld finding, the broadcaster has acknowledged some error part-way through tha process. *Of the other cases* it is unusual for broadcasters to disagree; unusual enough to gain major media coverage.

Mr Snoddy says that "regulation will always be subjective" and there can indeed be different views, particularly on issues such as this involving the depiction of violence and extreme verbal abuse against women. We do not, however, operate in e vacuum but refer constantly to what we learn from independently commissioned research into public opinion. The fact that *Ladybird Ladybird* gained clearance for cinema exhibition is a red herring. It hardly makes the BSC's statutory job irrelevant as both media and the public remain very clear on the fect that broadcasting differs from cinema or video release, particularly on open access channels. Regulation may be a subjective business but there *remains* a surprising amount of consensus.

We agree that the regulation of broadcasting will need an update. Convergence of telecommunications and broadcasting will *make* this inevitable. But the cut and paste approach of doing away with the BSC, the BBC governors and tha Radio Anthority and adding all these parts on to *an* already burdened Independent Television Commission is not the answer. Nor would it meet the need for an independent body able to reflect public concerns or defend the public interest on matters of standards or fair treatment.

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Right terms for alliance

From Mr A.J. Lucking.

Sir, Mr Stephen Turk (Letters, August 1) may have a valid complaint about the present capacity provided on *the London-Los Angeles* air route, but I believe the European Commission is *right* to insist that BA and American give up frequencies if their alliance is consummated, *rather than handing over* many of BA's erstwhile domestic service "slots" to other US airlines. If the market for high fare "on-demand" passengers is there, other airlines would increase capacity. However, the airlines' frequent need to sell rear cabin capacity at a discount suggests profit maximisation dictates an increase in *premium fare accommo*dation as a first step.

Frequency dominance enables market dominance. The Civil Aviation Authority's report CAP 570 shows *that if, for example,* one airline has four flights a day spread randomly, and another two, the first will secure 75 per cent of the traffic. During August, on the Heathrow-JF Kennedy route, BA and American each has six flights daily, with an additional Concorde service restored from September 2. If the two airlines were permitted to co-ordinate their existing operations, and exploit the traffic from nearly 36,000 connecting routes, the outlook for the others would be grim.

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[redacted]

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FINANCIAL TIMES

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Thursday August 7 1997

Heroics in space

The efforts by the Russian space agency to save its stricken Mir space station are looking more and more like a Dan Dare or Flash Gordon comic strip. Almost every day, it seems, there is another heroic episode in which the cosmonauts overcome impossible odds to save themselves and their craft.

Today the relief crew must dock their Soyuz capsule safely with Mir and enter the space station, in which the oxygen generator and half the power supplies are out of action. Over the next two months, brave cosmonauts Anatoly Solovyov and Pavel Vinogradov will undertake n series of perilous space walks to repair damage inflicted six weeks ago when a cargo craft collided with Mir during a docking exercise.

For many observers, it is hard to understand why human lives are being put at risk – and hundreds of millions of dollars a year spent by the Russian and US space agencies – to prolong the working life of a 130-tonne rust bucket that is anyway dua to go into retirement by 2000. Surely not just for the thrills?

National pride provides Russians with a motive. After the spectacular failure of their Mars '96 mission last November, Mir is the last jewel left for a space agency that once rivalled Nasa in its scientific and technical prowess. It may be a tarnished jewel but they are desperate to hold on to it.

Americans and west Europeans are also anxious for Mir to survive, however. Nasa is providing its Russian counterpart with $400m funding over four years, as well as extensive technical assistance and a supply of astronants to help crew the space station. The European Space Agency is involved too, on a smaller scale.

One good motive for western assistance to the Mir project – rarely stated in public – is to give worthwhile employment to a group of experienced space engineers who might otberwise go and design missiles for Iran, Iraq or other pariah states.

But the main reason for keeping Mir in orbit is that it is the only orbiting space station, in which experience can be gained in preparing for the planned International Space Station. The ISS is a far grander US-led project, on which about $30bn will be spent over the next few years.

Nasa officials aay that Mir flights have already provided much essential information for designers of the ISS – for example on creating a fail-safe docking system that can accommodate visiting US, Russian, European and Japanese spacecraft. They want more, however, and are considering sending another American to replace Michael Foale, the astronaut now in residence. This would be unwise unless the new cosmonants can repair the station properly over the next couple of months. Nothing would undermine public support for the ISS more quickly than a tragic accident on Mir.

Of course justifying Mir's continuing occupation in terms of the ISS is valid only if the latter is a worthwhile endeavour. It has industrial and scientific merits but the most compelling arguments are less tangible ones. The largest scientific collaboration in history will bring political benefits and, more romantically, it will provide the next step for manned exploration of our universe.

Apple's lifeline

Microsoft's plan to invest $150m in Apple is a cheap way of buying protection from the antitrust complications of Apple's apparently inexorable decline.

As long as Apple survives, Microsoft has a credible competitor in the market for personal computer operating systems. Not *too* credible: Microsoft'a dominance of this market is the source of the company's pervasive influence on the PC software business as a whole. But credible enough to protect it from accusations of monopoly.

Without Apple, those critics who want the US government to split Microsoft's operating system activities from the divisions making application software might in time prove irresistible. That is a divorce Mr Bill Gates, Microsoft's chairman, is determined to resist: the two businesses are more powerful and profitable together than apart.

This is not Microsoft's only reason, no doubt. As the leading supplier of office software for Apple'a hardware, Microsoft has a business to defend. And as the company which has most to lose from Mr Larry Ellison's proposed low cost internet appliance, the Network Compnter, Microsoft has an interest in ensuring that Apple does not neglect tbe PG business to throw itself into this new market. Mr Ellison, now a member of the Apple hoard, will no doubt continue to advance the case for the NC. Microsoft's investment, non-voting though it may be, will guarantee a hearing for Mr Gates's reply.

The sharp rise in Apple's share price yesterday reflected relief at Microsoft'a vote of confidence. It also reflected a sense that Apple is becoming more like a normal company, and less of an inbred sect. This is shown in the choice of the new board members – who include Mr Jobs, Mr Ellison and Mr Jerry York, former chief financial officer of IBM – as well as in the accommodation with Microsoft.

Mr Jobs said yesterday: "We have to let go of the notion that for Apple to win, Microsoft has to lose." In the long run, co-existence with Microsoft is probably the best that Apple can hope for. Even that may be too ambitious. The confidence of customers and software developers has been shaken. Finding a chief executive to work in Mr Jobs' shadow will not prove easy. And the new board may, paradoxically, contain too many talents to be effective. But at least Apple now has a chance. Neither Mr Jobs nor Mr Gates could hope for more.

IMF bites Cobra

The Romanian government is right to take IMF advice and postpone its planned billion-dollar purchase of 96 Cobra attack helicopters from Bell of the US. Other east European countries which desire to join Nato should also take note. Poland, Hungary and the Czech Republic are all considering expensive military purchases, above all of the latest western fighter planes. The total bill could be more than $10bn.

By buying these arms, they would worsen their budget deficits and their international indebtedness, and divert huge sums from urgently needed investment, social welfare and indeed flood prevention. Procuring new high-technology weapons for "big war" in this region also clashes with the principle that Nato is developing from an alliance directed mainly against a direct and specific military threat – which no longer exists – into one devoted to international security in a broader sense. It is an idea that smells of brimstone.

Western diplomacy has been ambiguous and even hypocritical on this question. Officially, diplomats have stressed that economic stability takes priority, and that purchases of western arms are not a condition for being admitted to Nato. Military experts have also pointed out that for a fraction of the sums needed for new fighters, these countries could carry out much-needed improvements in communications, air defence and so on.

Unofficially, however, there has been strong diplomatic support for the arguments of arms manufacturers that new high-technology aircraft are needed to ensure "compatibility" with Nato forces. Politicians, especially in Washington, have also weighed in on the side of their local firms.

In each case, the western firms involved are offering significant investments to offset the cost of the deal. None the less, the money for the arms would still have to come out of the state budget, and it is money that these countries simply cannot afford at present.

Overspending on arms purchases also threatens the support of eastern European populations for Nato, which ahould not be taken for granted. Large minorities remain highly sceptical, and the majorities who support membership do so because they hope for tangible benefits for their own countries – not for Lockheed Martin or British Aerospace.

Britain's curious boom

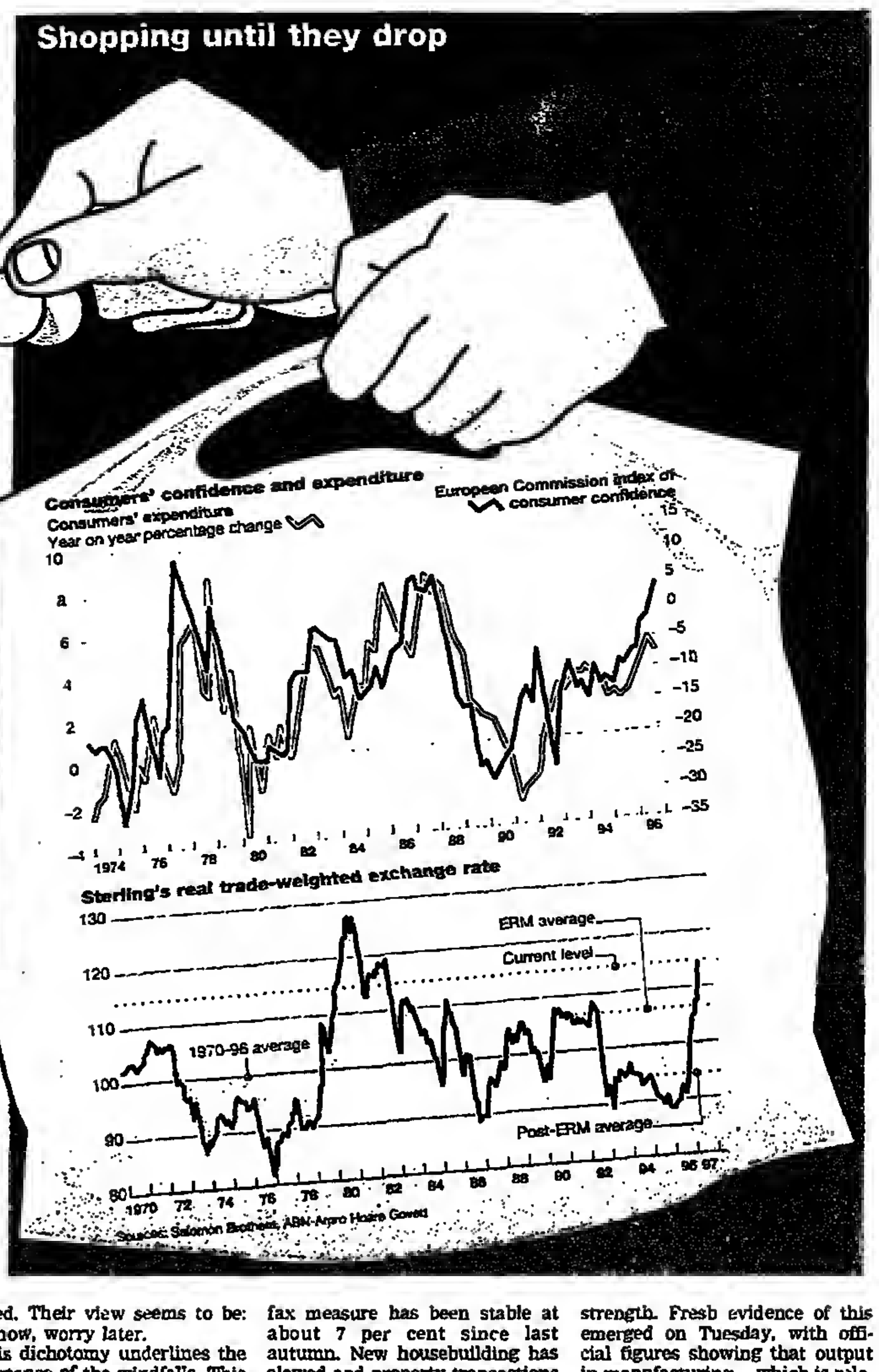
Robert Chote on worries that it could become a bust

As Mr Tony Blair, the UK prime minister, takes his rest among the white roses and pomegranate bushes of San Gimignano, he has the added satisfaction of knowing that he can buy at least 20 per cent more chianti with every pound than when be visited Italy last summer.

But while sterling's strength (despite yesterday's softening) may be good news for Britons abroad, it is less welcome to the Bank of England's monetary policy committee whicb concludes a two-day meeting in London today. The same factors that are making foreign holidays so popular this year – surging consumer confidence and an overvalued exchange rate – present the central banks's committee with an unenviable dilemma: how can it cool down Britain's gathering consumer boom without pushing manufacturing off a cliff?

Elsewhere in Europe the dilemma – and indeed the growth in consumer spending – may seem unfamiliar. In Britain, boom-bust cycles are all too common. The committee is wrestling with the problem now because of the reluctance of Mr Gordon Brown, the chancellor, to impose big tax increases on consumers in last month's Budget. The chancellor's unwillingness to reduce consumption through taxes meant that interest rates were the only instruments left.

"The chancellor's political impotence meant sacrificing exporters and manufacturers to consumers looking to spend their windfall gains," says Mr Geoffrey Dicks, at NatWest Markets, the investment banking arm of National Westminster Bank. "We never thought we would see the day when Labour lined up with the consumer against the manufacturers, but that is in essence what they have done."



Consumers seem to love it. Rising take-bome pay, rapid increases in house prices and a staggering £35bn ($57bn) or more in windfalls from huilding society and insurance company flotations have propelled consumer confidence sharply higber in recent months. According to a survey for the European Commission, optimism is at levels unmatched since the late 1960s.

Mr Richard Iley, at Hoare Govett, says this survey provides a reliable guide to the strength of consumer spending three to six months ahead. Consumer spending grew at a rate equivalent to 3.6 per cent a year in the first quarter of 1997 and Mr Iley calculates that the present level of confidence means annualised growth could be as much as 6.5 per cent by the fourth quarter.

This is a little less than the 8 per cent growth recorded briefly in the late 1970s and late 1980s, but the monetary policy committee knows it is well above the rates that have proved sustainable in the past without fuelling inflation – especially at a time when the Treasury estimates that the economy is already running at full capacity.

But the outlook for spending is more uncertain than consumer confidence auggests. Although the optimism measure in the Commission survey has surged, the rise overall masks conflicting movements in its constituent parts: people's willingness to make large purchases has rocketed, but their confidence in the outlook for the economy has dipped. Their view seems to be: buy now, worry later.

This dichotomy underlines the importance of the windfalls. This year, three building societies and one insurance company have produced windfalls. Economists at Nikko Europe estimate this has benefited four in 10 UK households to the tune of about £31bn.

The way in which people use their windfalls will be vital to the course of consumption. With few precedents to draw upon, estimates of what proportion of the windfalls people will spend vary from 5 to 25 per cent. Surveys suggest some people are hlowing the money on holidays while others invest it in purchases such as new kitchens, furniture and cars. Some are using it to pay off debt, which has cut the number of people in arrears on their credit agreements.

Mr Chris Wright, economist at Barclays Bank, estimates the windfalls could add between 0.75 and 1 per cent to consumer spending this year and next. "The evidence does, however, still fall short of unequivocally pointing to a strengthening consumer boom," he adds.

Mr Wright notes, for example, that while the Nationwide building society's measure of house price inflation has climbed steadily to 11 per cent, the Halifax measure has been stable at about 7 per cent since last autumn. New housebuilding has slowed and property transactions have been flat since the turn of the year. This casts doubt on the underlying strength of spending on consumer durables once the windfalls have been absorbed. Part of the consumer "boom" may come from a windfall blip.

Estimates of money supply growth may be equally ambiguous. On the face of it, large increases in the measure might suggest a consumer boom is being stoked up. Growth in the broad measure M4 – cash plus bank and building society accounts – has been above the ceiling of the Treasury's 3-9 per cent "monitoring range" for more than a year. But Mr Peter Warburton, at Robert Fleming investment hank and fund management group, says this is less threatening than it looks. Wholesale deposits may be growing at 21 per cent a year, but this reflects takeover activity and cbanges in the gilts market. Retail deposits have a mucb closer relationship to consumer spending and they are rising at less than 7 per cent a year.

The hoom in consumer spending is in sharp contrast to the weakness in export orders brought about hy sterling's strength. Fresb evidence of this emerged on Tuesday, with official figures showing that output in manufacturing – which is relatively exposed to international competition – was lower in the second quarter of the year than in the first.

The Chartered Institute of Purchasing and Supply reported that the service sector continued to grow and tbat "buoyant consumer confidence was again reported to have played a key role in boosting demand". One in five service sector companies took on permanent staff, with salaries forced higher as businesses had to compete for scarce skilled labour. But, even in this relatively sheltered sector, sterling's strength slowed the rate of growth of new business.

Driven by expectations of higher interest rates and fears of a weak euro, sterling has risen hy about 40 per cent from its record low against the D-Mark in November 1995, its longest rally for 17 years. Adjusting its trade-weighted exchange rate for differences in inflation at home and abroad, Britisb companies are less price competitive against overseas rivals than at any time since 1982 – much more so than when sterling was trapped in the European exchange rate mecbanism. Mr Tim Congdon, at Lombard Street Research, believes sterling is 20 per cent above what is justified by international price differentials.

But in spite of survey evidence that export orders are collapsing, sterling's strength has not yet hit the trade figures. This has raised hopes that exporters might take all the pain by reducing their profit margins to maintain market share. But Mr Michael Saunders, at Salomon Brothers, says that, after sterling'a depreciation on Black Wednesday, exporters increased profit margins and market share. He suggests margins and volumes will both eventually suffer from sterling's rise.

"Indeed, one of the channels by whicb the high pound will slow exports is hy cutting export profitability so far that firms either go hust or retreat to the domestic market," Mr Saunders says.

Against this hackdrop, the chancellor's refusal to tax consumers more beavily in tbe Budget has made the monetary policy committee's job more difficult. Its task is clear: it must set interest rates to deliver underlying inflation of 2.5 per cent in two years' time. But whatever action it takes now, the committee can be confident of hooming domestic demand this year and a probable collapse in exports next year. Where inflation will lie at the end of this rollercoaster is anybody's guess.

One strategy would be to ignore the pound's strength or to assume that its fall yesterday will continue, perhaps because of an unexpectedly early tightening in German monetary policy. Interest rates might then be raised to 8 per cent or so, risking recession if sterling remains strong. The other strategy might be to leave rates at their current 6.75 per cent, relying on sterling's strength to slow the economy, albeit at the cost of a ballooning current account deficit.

Mr Saunders expects the Bank to tread a middle path, raising rates half a point or so. He says that "would risk overkill next year if sterling stays very high, but would allow for the risk that sterling reverses some of its recent gains".

With luck, the Bank will get the balance right and achieve its golden scenario – reducing consumer demand without inflicting too much damage on exporters. But Mr Saunders adds that if sterling either falls sbarply or resumes its recent rise, then the authorities might end up having to take more dramatic action.

Today's vote on interest rates and next week's quarterly Inflation Report will provide a clue to the Bank's thinking. But it is worth remembering that while independent central hanks tend to produce lower inflation than those subordinate to their finance ministries, they also tend to preside over deeper recessions.

The Treasury's latest monthly survey shows that independent economists on average expect the economy to grow by an above-trend 2.7 per cent next year – but the mood may be on the turn. More analysts are talking about the threat of a hard landing next year, as exports collapse, consumer spending slows and as the government keeps the screws on public spending. If the pessimists are right, it remains to be seen whether the Bank or Mr Brown will get the hlame.

· OBSERVER ·

Hooray for Hollywood

■ The planned public offering by Metro-Goldwyn-Mayer is just the latest reel in a 25-year commercial epic. Octogenarian corporate raider Kirk Kerkorian, part of the management-led consortium which owns tha Hollywood studio, has been leading man throughout.

Buying MGM in the early 1970's was Kerkorian's first big move as a predator; before that the former pilot and prize-fighter was an obscure, if well-heeled, airline proprietor. Under his ownership the studio built by Louis B Mayer moved from film-making into gambling and back into film-making; it was merged, demerged, sold in 1986 to Ted Turner and then bought back again. Hollywood liked to cast Kerkorian as an asset-stripper; when he sold out in 1990 to Italian financier Giancarlo Paretti, for what looked like the last time, Tinsel Town shed no tears.

But this time Kerkorian says it's different. Since buying back into MGM last year he's been making noises about building up the business. It'll be interesting to see whether Wall Street is prepared to auspend its disbelief – and buy the $250m-or-so of shares now on offer for a seat in the front row of the stalls. Kerkorian will be hoping for the kind of reception that greeted recent studio hits *Get Shorty* and *Goldeneye* – rather than the famously unwatchable *Showgirls*.

No basket case

■ Adidas boss Robert Louis-Dreyfus has got his eye on the ball. Having nursed advertising group Saatchi & Saatchi – now Cordiant – back to a measure of corporate health, he's working similar wonders at the German sportswear group, where he took the helm in 1993. But the dapper 51-year-old Frenchman is not resting on his laurels; having revived Adidas in its European back yard, now he's gunning for the US.

Louis-Dreyfus and his marketeers are hot on sponsorship – hence their deal to get the Adidas name plastered all over next year's soccer World Cup finals in France. So it's no surprise that they're using the same techniqne to hreak into US basketball – a huge market, but one where Adidas has so far failed to score.

Rather than shooting for the established stars, the company is signing up-and-coming youngsters to wear Adidas kit. It's already got 15 National Basketball Association players on its books, including Los Angeles Lakers hot-shot Kobe Bryant. Last year Adidas shifted 150,000 pairs of hi-tech Bryant shoes – and reckons it could have sold more if demand had not out-stripped supply. If Bryant becomes a superstar in the Michael Jordan mould, Louis-Dreyfus reckons the company is in for the commercial equivalent of a slam dunk.

Remote vote

■ There'll be no election night fever as the Solomon Islands goes to the polls. It will take the best part of a week to collect and count all the votes cast in yesterday's parliamentary elections; with an electorate scattered over dozens of islands and nearly 1,000 miles of Pacific Ocean, that's not surprising. Most of the $1m election budget went on motorised canoes and aircraft to bring in the ballot papers.

But the election is deadly serious. An economy which relies on cocoa, fish and timber needs careful management. And while the Solomons may not be an economic powerhouse, islanders don't take kindly to being dismissed out of hand. Last month's leaked Australian government briefing paper – which described the islands' economy as being on the brink of collapse – caused more than irritation. It'a best just not to mention the recent 13-nil drubbing at the hands of the Aussie soccer team.

Betel nut-chewing prime minister Solomon Mamaloni, who's on his third stint as premier, is reckoned to be favourite to keep his grip on power. But in a country with nearly as many political parties as jungle-covered islands, it's a tricky business predicting the outcome.

Never say die

■ The merger of Die Erste, Austria's oldest savings bank, and GiroCredit, its third biggest bank, has led to much band-wringing over what to call the combined institution.

Until now Die Erste has operated under its own name in Austria; overseas it's used the First Austrian Bank title. However, the country's first bank in terms of size is actually Bank Austria. Even after the merger, First Austrian Bank is still in fact only second; before the deal with GiroCredit it should, hy rights, have been known as Fourth Austrian Bank.

Meanwhile, Die Erste seemed jinxed as a brandname after someone pointed out that it risked being nicknamed the "Die First Bank". So the Die has been quietly dropped and the new group will be known simply as Erste Bank. Safe, if unoriginal.

The Financial Times

100 years ago

The Queen's Speech
The Session of Parliament closed yesterday. The Queen's Speech, which was of exceptional interest, began as follows:– My Lords and Gentlemen, At the close of a Session during which there has been disturbance and conflict in Europe, I am glad to be able to inform you that the cordiality of my relations with Foreign Powers remains unchanged . . . I have given notice to the King of the Belgians and the German Emperor to terminate the Treaties of Commerce of 1802 and 1865, by which I am prevented from making with my Colonies such fiscal arrangements as may seem to me expedient.

50 years ago

Loan Drain Details
Mr Attlee's speech to the Commons yesterday did not appear to evoke a feeling of national unity despite the air of crisis that hung over the Chamber. He kept strictly to his "notes" and on the only occasion he was asked a direct question – by Mr Eden who wanted an explanation as to why there had been such heavy withdrawals on the U.S.loan last month – said that the Chancellor of the Exchequer would "probably" give further details later in the debate.

FINANCIAL TIMES
Thursday August 7 1997

Sinn Féin softens its stance on Irish unity

By John Murray Brown in Belfast

Leaders of Sinn Féin, the Irish republican party, indicated a softening of position yesterday at their first face-to-face talks with a British government minister since the restoration of the IRA ceasefire on July 20.

Mr Gerry Adams, the party president, relterated Sinn Féin'a objective of seeing "an end to British rule in Ireland". But he suggested that republicans would be prepared to accept a settlement "in the meantime" thet fell short of Irisb unity.

He said: "Wa are a party which we think reflects the majority view on this island which wants to see an end to British jurisdiction. So we will deal with this British government on that broad basis. In the meantime, we want to see as many improvements in the situation as is possible."

Mr Adams used the two-hour meeting with Ms Mo Mowlam, the British minister responsible for Northern Ireland, to set out Sinn Féin's agenda for all-party talks on a constitutional aettlement for the province and to outline its demands for an end to British rule.

Sinn Féin's presence at the talks, which are due to start in September, depends on the Britlsh government's judgment at the end of this month as to whether the IRA ceasefire is genuine.

Ms Mowlam said any party had the right to put an item on the agenda for the coming talks, but all sides had to acknowledge that "everyone has to change a bit".

Both sides described yesterday's talks as businesslike and constructive.

Sinn Féin walcomed the government's decision to allow a delegation from the party to visit republican inmates at two top security prisons in Britain. Sinn Féin was "confident" there would be movement on the repatriation of prisoners to jails in Northern Ireland where they could be closer to their families.

After the talks, Ms Mowlam said Mr Adams was a "strong and competent" leader. In alightly playful riposta, Mr Adams said: "While welcoming Mo Mowlam as the first woman to be secretary of state [minister], we also want her to be the last."

Asked if he would concede that a settlement must have the support of the majority of the people in Northern Ireland – the so-called consent principle – Mr Adams said: "We want to see the consent, or assent, of all sections of our paople. But we're totally opposed to this notion that the unionists have a veto."

Both the Irish and British governments insist that tha province's status cannot change without the consent of the majority.

Venezuelan economy brought to a halt by general strike

By Raymond Colitt in Caracas

The first general atrike in eigbt years paralysed large parts of the Venezuelan economy yesterday.

The lack of public transport forced millions of workers to stay at home and shut down most businesses.

The 12-bour stoppage was called by the Venezuelan Workers Confederation (CTV) to protest against a 27 per cent average petrol price increase, rising public service costs and the failure of the private sector to raise wages.

The strike was backed by most political parties and even by the government, which suggested that salaries could be raised by decree if businesses did not increase them voluntarily. Real wages have fallen by more than 67 per cent since 1979.

A reform to the country's labour laws earlier this year enabled employers to rednce severance pay and redundancy benefits. In exchange, the private sector offered large wage increases. But Mr Carlos Navarro, secretary-general of the CTV, said: "The private sector has not lived up to its wage agreement."

Large areas of the capital Caracas were almost empty yesterday morning following the closure of the snbway, which transports several million passengers daily.

Public services such as telephones, power and water supply were not affected but the petroleum industry, the country's main economic activity, was. Oil production and refinery continued normally but distribution and sales of petrol were largely suspended.

In an attempt to avoid violent confrontations, the unions did not stage protest marches. The last general strika in 1989, which followed street riots in protest against austerity meaaures, led to confrontations between labour lasders and strike breakers.

Mr Francisco Natera, head of Fedecamaras, the national federation of industry and commerce, called it a politically motivated strike. He aaid: "This is a smoke-screen for the government's inability to tackle inflation, voracious fiscal spending and the permanent deterioration of the workers' real income."

He estimated losses from the stoppage at Bs152bn ($307m).

"This is the first time in history that government officials are inciting workers to strike," added Mr Luis Henrique Ball, head of the industry chamber, Conindustria.

Apple deal

Continued from Page 1

was continuing. Mr Fred Anderson, Apple's chiaf finance office, will be acting chief executive officer.

Talks between Apple and Microsoft were deadlocked until about four weeks ago, when Mr Jobs kick-started the discussions which culminated in Wednasday's deal, Mr Anderson said.

Microsoft said it hoped that its investment in Apple would also provide a good return to its shareholders.

Apple's shares jumped 33 per cent to trade at $26¾ in mid-session.

Indian blow to insurers

Continued from Page 1

to enter the health insurance market, once opened.

The minority United Front coalition government told parliament it would amend and resubmit the legislation, but a revised bill is unlikely before parliament's next session in November.

The bill would have allowed "selected" foreign and private joint ventures in health insurance, and limited participation in pensions.

These moves, though regarded as insufficient by foreign insurers, would have been the first incursion into the state monopoly on insurance, which has existed since the nationalisation of life insurance in 1956 and general insurance in 1973.

The oppoaition Hindu nationalist Bharatiya Janata party, parliament's biggest, and India's communist parties, oppose any opening of the insurance market on the grounds of defending jobs in India's two state insurance companies and of safeguarding "economic nationalism".

The retreat was seen as a big blow to liberalisation of the sector, long viewed by foreign investors as a bellwether of India's reformist intent.

US record companies to launch internet sales drive

By Alice Rawsthorn

Three of the largest US record companies – Warner, Sony and BMG – plan to sell almost all their new and past releases direct to the public over the internet.

The decision to sell compact discs and cassettes onlina could cause friction in the music market by bringing the three companies, which together represent more than 40 per cent of US record sales, into direct competition with the retailers which are their customers.

Other record companies are now expected to speed up their plans to sall alhums on tha internet. Until now, they have used their internet sites for promotional purposes and have resisted the temptation to add ordering facilities for fear of alienating retailers.

However, the online music market is expanding rapidly. Jupiter, an internet research consultancy, expects its value to increase from $47m this year to more than $500m by the end of the decade.

Record companies are keen to establish an online presence before the technology to deliver music directly to consumers' computers on digital networks hecomes widely available.

So far, Sony Music, a subsidiary of the eponymous Japanese electronics group, has adopted the most aggressive approach to online retailing. Three weeks ago it launched thestore, a sales sub-site on its sonymusic.com internet aite, from which consumers can order hundreds of titles.

Sony's online prices are lower than the full list price and similar to those of other internet retailers, including the established record chains Tower and Camelot, and online specialists, such as CDnow and Entertainment Boulevard.

Other record companies are adopting more subdued strategies. Warner Music, part of Time Warner, the US entertainment group, is formulating proposals for an online record store which will encompass its entire catalogue.

Warner began a discreet axperimsnt last antumn, whereby consumers can order a limited selection of 200 titles from its artists' internet sites. To avoid conflict with retailers, Warner's albums are sold at the full list price.

BMG, part of Bertelsmann, the German media group, intends to add ordering facilities to the internet sites of its artists, including Toni Braxton and the Wu-Tang Clan, this autumn. Like Warner, BMG plans to sell at full list prices.

Internet's dizzy growth, Page 8

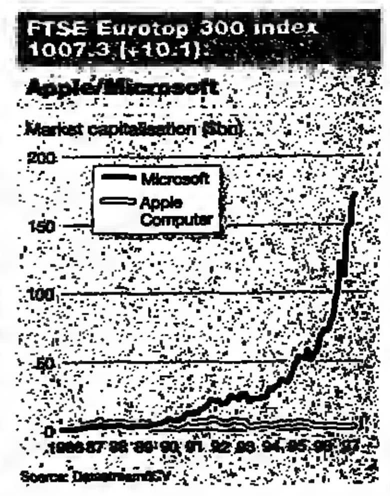
THE LEX COLUMN

Apple of Gates' eye

When you have beaten your bitter rival into a pulp and he is gasping for air, why extend a helping hand? The question is posed by Microsoft's technology agreement – plus $150m cash injection – with Appla Computer. From Apple's perspective, the deal is perfectly logical. With customers deserting its Macintosh operating system in favour of Microsoft'a Windows, its viability was threatened. Now it has a new lease of life. Hence, the extraordinary comment from Mr Steve Jobs, Apple's founder: "We better treat Microsoft with a little gratitude."

But what is in it for Microsoft? Mr Bill Gates is surely not all dewy-eyed like many Mac fans at the thought of Apple biting the dust. More likely, he appreciates the businesa logic of keeping Appla alive. Forget the guff about how Microsoft has a valuable business supplying applications to Mac users; if Mac died, customers would switch to Windows and Mr Gates would aupply them operating systems and applications. The real advantage in resuscitating Apple is that Microsoft can argue its operating system does not have a monopoly: that may keep the anti-trust authorities off its case.

Another benefit from striking a deal with Apple is it stops the group falling into hostile hands. As Microsoft appreciates, the real threats to its business come from Netscape's internet browser and Oracle's network computer. Apple still has a powerful brand and interesting technology which might have been deployed as part of some anti-Microsoft front. But now the company has been brought in on Microsoft's side in the battle of the browsers. And though Oracle'a Mr Larry Ellison is joining Apple's board, he is unlikely to be able to turn it into a weapon to attack Mr Gates.



UK shares

Investors like magic numbers. In recent weeks, the Dow bas soared through 8,000, Germany's Dax index has risen above 4,000 and France's CAC-40 passed 3,000. Now the UK's FTSE 100 has crossed the even more magical 5,000. In fundamental terms, round numbers mean nothing. But they can work on a psychological level. By generating a get-rich-quick buzz, they can draw new investors into equities. And, in today's momentum-driven markets, extra liquidity could easily pusb shares higher.

The snag with momentum investing is knowing wben to get out. At present, British shares look somewhat, but not wildly, overvalued. The market's hiatoric price/aarnings ratio of 20 may seem punchy. But if low inflation is here to stay, investors sbould require lower risk premiums – meaning higher p/e ratios are warranted. Another wsy of saying the same thing is that, as gilt yialds hava fallen to reflect lower inflation expectations, it is reasonable for equity yields to fall too. Less rational is tha way investors brushed aside last month'a tax-raising Budget, which cut the dividends enjoyed by pension funds by a fifth. The risk is thet, when the markat mood changes, irrational exuberance will be replaced by irrational pessimism. Numbers that look magical going up could seem more like witchcraft in retrospect.

Hilton/ITT

Hilton's attack on ITT has been a bid in slow motion, but tha tempo is picking up. It is seven months since Hilton pounced on ITT, but it was only yesterday thet it offered serious numbers. If Hilton had pitched in at $70 at the start, the game might be over. But, meanwhile, ITT has been selling the bricks and mortar that Hilton wanted. And its proposed three-way demerger, if implemented in November, would make ITT unpalatable to a predator.

ITT shareholders are in a difficult positlon. The management has hardly delivered the goods in the past, and its commitment to shareholder value has come under the barrel of a gun. Moreover, it has appeared keen to prevent its shareholders from having a say. Hilton, by contrast, is one of the stars of the leisure firmament. But unless ITT's management accepts the offer, or its alternative plans are blocked in the courts, it looks powerless. And since Hilton's offer is pitched at the same price as a proposed ITT buy-back, albeit for 51 per cent of the shares instead of just 25 per cent, ITT's management must have a case for saying no. After all, much of the merger synergies could be lost on the tax bill from selling the telephone directory and educational services businesses.

Naturally, Hilton could pay more. But with its shares underperforming the US market since it launched the hid, it could struggle to persusde its shareholders that an inflated deal is not being driven by egos rather than shareholder value.

GKN

GKN does not look like a group struggling against the weight of strong sterling and stagnant car markets. The impact of the strong pound on transactions was next to nothing in the first half of the year. But more importantly, automotive growth considerably outstripped the European car market and underlying profits increased by 23 per cent, in constant currency terms.

GKN still sits at an 8 per cent discount to the stock market's prospective price/earnings ratio. This presumably reflects concerns over a cyclical automotive division, which accounts for half its revenues, and the hazards of being an engineer in a strong currency zone. But within the auto division, GKN has strong positions in emerging markets. And its investment in powder metallurgy promises fat margins and rapid growth. In aerospace, it has a substantial order book and should be one of the beneficiaries of eventual consolidation in European defence. Meanwhile at Chep – the pallets business whicb defies the laws of economics by failing to attract significant competition – profits continue to motor.

In the multi-faceted world of engineering, companies still hate to be described as conglomerates. But it could be argued that GKN is just suffering a conglomerate discount. Chep no longer needs its cash, and a demerger would resolve its ownership structure – it is half owned by Brambles – and that could eventually become a thorny issue. It might also attract a bid premium from a would-be competitor such as General Electric of the US.

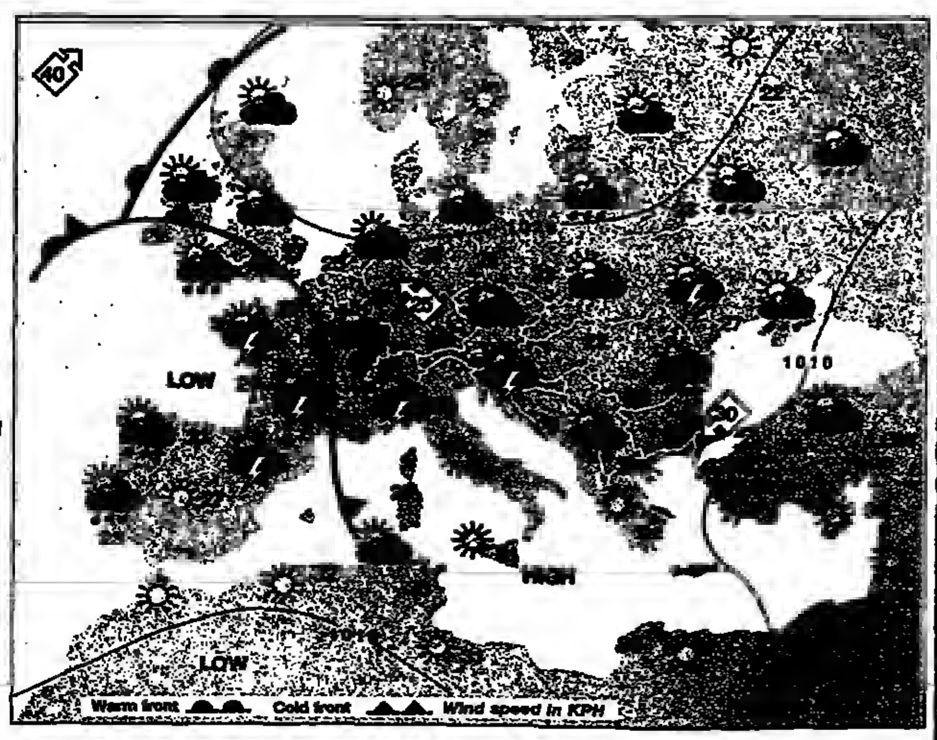
FT WEATHER GUIDE

Europe today

Much of the British Isles will have a dry day with sunny spells, although Wales and southern England will have a mix of sunshine and showers. Northern Portugal will be rather cloudy with some showers, but elsewhere in the Mediterranean, it will be hot with continuous sunshine. Northern Spain and France will remain unsettled, with some sunshine but also a lot of cloud and thunderstorms in many parts. There may also be thunderstorms in northern Italy, the Balkans and parts of eastern Europe. Germany, Poland, the Baltic States and Scandinavia will have a dry day with plenty of warm sunshine.

Five-day forecast

It will become hot in the British Isles, although rain will move into the north-west. In Portugal and parts of eastern Europe, it will be unsettled with showers and thunderstorms. The Mediterranean will be generally hot and sunny. Scandinavia and the bulk of central Europe will be dry with plenty of sunshine.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	Sun 41
Accra	Fair 27
Algiers	Sun 32
Amsterdam	Sun 28
Athens	Sun 32
Atlanta	Thunder 29
B. Aires	Cloudy 12
B.Ham	Fair 26
Bangkok	Thunder 33
Barcelona	Fair 27
Beijing	Rain 29
Belfast	Fair 25
Belgrade	Rain 25
Berlin	Fair 25
Bermuda	Thunder 31
Bogota	Shower 18
Bombay	Rain 32
Brussels	Sun 26
Budapest	Fair 29
C.Hagen	Fair 23
Cairo	Sun 32
Cape Town	Sun 18
Caracas	Fair 32
Cardiff	Cloudy 23
Casablanca	Fair 23
Chicago	Fair 28
Cologne	Fair 26
Dakar	Fair 30
Dallas	Thunder 32
Delhi	Fair 35
Dubai	Sun 41
Dublin	Fair 23
Dubrovnik	Fair 28
Edinburgh	Fair 21
Faro	Sun 26
Frankfurt	Fair 26
Geneva	Thunder 23
Gibraltar	Sun 28
Glasgow	Fair 24
Hamburg	Fair 25
Helsinki	Fair 25
Hong Kong	Thunder 30
Honolulu	Fair 32
Istanbul	Fair 27
Jakarta	Fair 32
Jersey	Fair 20
Karachi	Sun 37
Kuwait	Sun 45
L. Angeles	Sun 32
Las Palmas	Fair 26
Lima	Cloudy 23
Lisbon	Fair 23
London	Fair 27
Lux.Bourg	Fair 28
Lyon	Thunder 28
Madeira	Cloudy 24
Madrid	Sun 27
Majorca	Fair 29
Malta	Sun 33
Manchester	Fair 25
Manila	Shower 34
Melbourne	Fair 15
Mexico City	Thunder 26
Miami	Thunder 34
Milan	Thunder 29
Montreal	Fair 26
Moscow	Fair 21
Munich	Sun 26
Nairobi	Fair 25
Naples	Sun 31
Nassau	Thunder 33
New York	Sun 27
Nice	Fair 29
Nicosia	Fair 33
Oslo	Fair 25
Paris	Shower 27
Perth	Shower 19
Prague	Fair 23
Rangoon	Shower 30
Reykjavik	Thunder 10
Rio	Thunder 25
Rome	Sun 31
S. Frsco	Sun 27
Seoul	Fair 32
Singapore	Thunder 32
Stockholm	Fair 25
Strasbourg	Fair 28
Sydney	Shower 16
Tangier	Fair 25
Tel Aviv	Sun 31
Tokyo	Thunder 29
Toronto	Fair 27
Vancouver	Fair 25
Venice	Cloudy 24
Vienna	Cloudy 25
Warsaw	Cloudy 23
Washington	Thunder 28
Wellington	Cloudy 11
Winnipeg	Thunder 30
Zurich	Thunder 24

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 7 1997
Week 32

IN BRIEF

Adidas registers leap in profits

Adidas, the German sportswear group, showed it was still building on a strong track record, registering a 41 per cent leap in pre-tax profits in the first six months. Page 14

Interims slip at Cathay Pacific
Cathay Pacific, Hong Kong's de facto flag-carrier, failed to lift interim net profits despite a compensation payment from Rolls-Royce following the grounding of flights over engine reliability concerns. Page 13

Standard bank rises in half year
Strong lending growth in Hong Kong and other Asian markets helped Standard Chartered, the UK-based international banking group, to lift pre-tax trading profits by 16 per cent. Page 15

Acquisition helps CCA jump 69.7%
Coca-Cola Amatil, the Australian drinks bottler, lifted interim net profits 69.7 per cent to A$98.1 (US$72.5m) thanks to a two-month contribution from operations acquired from San Miguel, the Philippine brewer. Page 13

Prudential doubles loss provisions
Prudential Corporation, the largest publicly-owned life insurer in the UK, almost doubled to £450m ($733m) its provision for compensating victims of pension mis-selling. Page 15

Norwegian banks post strong profits
Norway's two largest commercial banks, both controlled by the state, posted strong profits in the first half as lending boomed and interest margins stabilised. Page 14

Hoogovens benefits from steel push
Hoogovens, the Dutch metals producer, achieved a 40 per cent jump in interim net profits to Fl 194m ($93m), drawing benefit from a push to add value to its steel output. Page 14

Demand helps to lift Atlas Copco
Half-year profits at Atlas Copco rose 16 per cent as the Swedish engineering group was lifted by improved demand in key markets. Page 14

Cadbury shrugs off strength of sterling
Cadbury Schweppes lifted earnings in the first half, shrugging off a £16m ($25m) effect from the strength of sterling. Page 15

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Holzmann	590	+	25	Alcatel	874	+	29
Karstadt	679	+	15	BNP	280	+	15
Schering	209.4	+	5.9	CCF	322	+	14.1
Falls				Legrand	1238	+	43
Heritz	149.8	-	7.2	Suez	639	+	20
Ind Werke	479	-	7.5	**Falls**			
Volkswagen	1343	-	30	Legris	261.2	-	7.9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Central Park	39⅜	+	2⅛	Daikyo Inc	308	+	24
Delphi Fincl	42¼	+	2⅛	Fuji Electric	450	+	31
Plantronics	64½	+	3¼	Nikon Corp	2270	+	150
Falls				**Falls**			
Aquila Gas	11½	-	1⅛	Amada Co	837	-	39
Designer Hlds	5⅞	-	1⅞	Nihon Cement	410	-	38
Newbridge Netwk	45⅝	-	4⅞	Tekken Corp	324	-	22
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
GKN	1156	+	70	Amoy Props	9.75	+	0.75
Micro Focus	1845	+	100	Cheung Kong	92.0	+	4.5
Pearson	771	+	31	Kowloon Motor	18.35	+	0.75
Rexam	282½	+	15	Sino Land	8.45	+	0.30
Falls				Sun Hung Kai	3.20	+	8.25
Bakyrchik	27½	-	10	Winsor Ind	2.35	+	0.27
Pendragon	266½	-	27½	**BANGKOK (Baht)**			
TORONTO (C$)				**Rises**			
Rises				Dietar Elec	22.5	+	2.0
Hemosol	2.5	+	0.75	Eastern Water	55.0	+	5.0
Rolland Inc	13.85	+	1.1	**Falls**			
Telesys Intl	25.0	+	3.0	Hua Thai Manf	39.75	-	4.25
Falls				Nakornthon Bk	37.5	-	4.0
Beacon Eye	4.5	-	0.8	Thai Carbon	77.	-	8.0
Samax Gold	5.0	-	0.5	Union Bk Bngk	44.25	-	4.75
Triton Mining	2.0	-	0.4				

New York and Toronto prices at 12:30.

Investors hope Bank will not raise rates ■ Sterling falls almost three cents

UK's FTSE 100 surges past 5,000

By Richard Adams and Philip Coggan in London

London's FTSE 100 index surged past 5,000 for the first time yesterday, as expectations rose that the Bank of England's monetary policy committee might not raise interest rates today.

The pound dropped nearly three cents to its lowest level against tha dollar in almost five months, and also shed well over five pfennigs against the D-Mark.

It fell quickly during morning trading in London, with traders saying only low volumes of the currency were on offer in Europe. Sterling briefly dipped below $1.60 and DM3 before staging a slight recovery to close in London at $1.601 and DM3.001, with a further rebound in New York trading.

Speculation that the Bundesbank might raise interest rates to defend the D-Mark may also have put pressure on the pound, which had previously gained from the belief that the UK was the only leading country likely to push up interest rates.

The fall in the pound was seen as good news for the UK's manufacturing sector, which has been complaining about the effect of sterling's strength on export prospects. A series of healthy corporate results from groups such as GKN, Cadbury Schweppes, Prudential and Standard Chartered Bank gave heart to investors yesterday.

London's leading stock market index breached its latest round number target in record time, having passed 4,000 just 10 months ago. During that period, investor enthusiasm has been undaunted by the Conservatives' election defeat, four interest rate increases, the abolition of the tax credit on dividends and a 25 per cent gain in sterling against the D-Mark.

Analysts emphasised that the UK market had underperformed many overseas bourses in recent months and may be due a period of catch-up. "Investors may now be realising that the UK is not the only place where interest rates will rise in the next few months," said Mr Richard Kersley, UK strategist at BZW, the investment banking arm of the UK's Barclays Bank.

The global bull market continued its march yesterday, with European bourses generally strong and the Dow Jones Industrial Average 55.51 points higher at 8,243.05 by 1pm New York time.

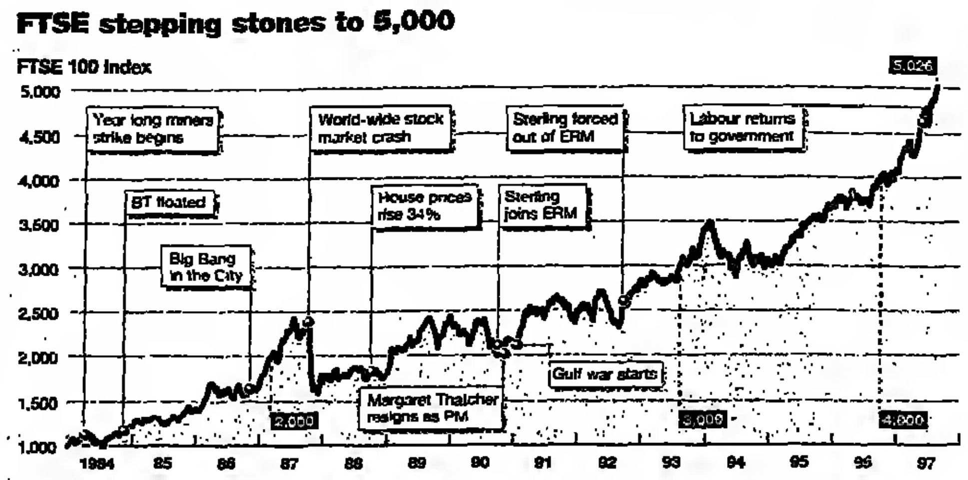
The Footsie gained 65.6 points to close at 5,026.2, having set an intra-day peak of 5,027.7 at lunchtime. However, small company shares dropped, confirming a trend which has seen the market's strength concentrated in a limited number of leading stocks.

Mr Richard Jeffrey, group economist at Charterhouse Bank, said: "In essence, it is a liquidity-driven market, as is emphasised by the narrowness of the rise. If you exclude investment trusts, the FTSE 250 and the FTSE SmallCap indices are down compared with the start of the year."

Despite some hopes that rates will not rise today, Mr Jonathon Loynes, an economist at HSBC's investment arm in London, is still predicting that the Bank, which announces its decision at noon, will opt for a quarter-point increase. That would be the fourth rise since the election, and would bring the level to 7.0 per cent.

Curious boom, Page 9; Lex, Page 10; London stocks, Page 26; Currencies, Page 19

FTSE stepping stones to 5,000



Source: Datastream/ICV

Electrolux hit by $113m loss in wake of shake-up

By Greg McIvor in Stockholm

Electrolux of Sweden, the world's biggest supplier of household appliances, suffered a SKr911m ($113m) second-quarter loss as it absorbed the full brunt of a SKr2.5bn restructuring charge.

The group, which has struggled for several years to lift margins, announced in June a plan to raise profitability by cutting 12,000 jobs, or 11 per cent of its global workforce.

The deficit, which compared with a SKr812m profit for the same period last year, reflected the company's decision to book the entire projected cost of the rationalisation – to take place over two years – in the quarter.

For the half year, the company went from a SKr1.6bn profit to a SKr311m loss. Sales rose from Skr52.8bn to SKr57.3bn. The market had been braced for slightly heavier losses, but Electrolux's most-traded B shares slipped Skr4 to SKr611. The stock has risen 31 per cent since the restructuring announcement.

Electrolux stressed that second-quarter operating profits, excluding non-recurring items, advanced 15 per cent, from SKr1.16bn to SKr1.3bn. However, earnings deteriorated in the important European white goods market, especially Germany.

Mr Michael Treschow, Electrolux's new chief executive, said rationalisation measures were on schedule.

Electrolux is planning to shut 25 plants and 50 warehouses as part of the drive, which is intended to help the group meet targets of a 6.5-7 per cent operating margin and a 15 per cent return on equity.

The need for action was underlined yesterday as Electrolux revealed a decline in the first-half operating margin from 4.2 per cent to 4.1 per cent, excluding one-off items.

Earnings in the North American household appliance operation improved, Electrolux said. This reflected higher volumes, reduced costs and improved capacity utilisation. However, operating profits were dented by a decline in demand in Brazil.

The outdoor products division advanced from Skr497m to SKr656m.


GKN's C K Chow: has sought improved productivity

Jardine stocks rise amid hints of re-listing in HK

By John Ridding in Hong Kong

Share prices across the various Jardine group companies rose sharply yesterday as Mr Li Ka-shing's purchase of stakes in two of its main subsidiaries fuelled expectations of a bid, a strategic alliance, or the re-listing of the conglomerate's businesses in Hong Kong.

An editorial in the daily Wen Wei Po, considered a Chinese mouthpiece in the territory, signalled the backing of Beijing for co-operation between Cheung Kong, Mr Li's flagship company, and Jardine, describing Jardine's positive response to the investment as a step towards a new image for the British-controlled group and a re-listing of its companies in the territory.

Jardine delisted from Hong Kong and moved to Singapore in 1995 as part of the group's attempt to buttress defences and its insistence on a commitment to Bermuda takeover regulations.

Jardine has played down the prospect of a re-listing, in spite of poor performance by the group's shares on the Singapore stock exchange.

Cheung Kong said yesterday that its purchase of 3 per cent stakes in Jardine Matheson and Hongkong Land was "friendly and normal". But a spokesman declined to comment on whether Mr Li, Hong Kong's most powerful businessman, would build his stake further.

Many viewed the purchase as a step towards a bid or increased co-operation between two of Hong Kong's dominant business groups.

"The stakes may be just tha opening salvo, with other players lurking," said Mr John Godfray, head of conglomerates research at Dresdner Kleinwort Benson in Hong Kong.

He pointed to the prospect of concerted action by allies of Mr Li, as happened in an abortive bid for Hongkong Land in 1987-88, and the importance of political motives following Hong Kong's return to Chinese sovereignty last month.

Shares in Hongkong Land, one of Hong Kong's biggest landowners, climbed by almost 9 per cent to US$3.40, adding to a 22 per cent gain on Monday.

Jardine Matheson shares took their two-day gain to more than 15 per cent, while the rally extended to other group companies.

Dairy Farm gained more than 8 per cent.

Attention centred on the prospect of Mr Li building pressure on Jardine for access to attractive property assets or a stake in Hongkong Land.

Several investment analysts pointed to potential gains for Jardine and Hongkong Land through increased co-operation with Mr Li.

They also said that any bid or alliance would improve prospects for a re-listing of Jardines group companies on the Hong Kong market.

Jardine's defences, Page 13; World stocks, Page 30

Buoyant GKN to spend £250m in emerging markets

By Christopher Price in London

GKN, the UK engineering group, intends to use its £250m ($407m) war chest to expand its operations in the emerging markets.

The group, which yesterday announced a 12 per cent rise in half-year pre-tax profits to £203m, said it intends to target the aerospace and agricultural machinery sectors, following a strong performance in China and Mexico.

The company has interests in 40 countries in the aerospace, defence, industrial and automotive markets and this year established a joint venture in Thailand to manufacture driveshafts and other car parts.

Group sales suffered from the effect of the strong pound and slipped by 2 per cent to £1.69bn. At constant exchange rates, sales would have risen 6 per cent and pre-tax profits by 25 per cent.

Mr C K Chow, chief executive, said the company, which has spent £384m on acquisitions so far this year, also hoped to take advantage of any consolidation in the European defence industry.

The upbeat message and the results, which came at the top of analysts' forecasts, helped the shares rise 6 per cent in London, closing 68¼p up at 1154½p.

The growth in profits was driven by strong performances from the aerospace and military vehicles business, which saw a 34 per cent rise to £51m. Profits from the group's industrial services business increased 13 per centto £42m.

Automotive and agricultural machinery and components, the company's biggest division, which includes its core drive shaft business, saw a 5 per cent rise in profits to £106m.

The increase came against a 2 per cent rise in the European and US new car market.

Group operating margins increased from 10 per cent to 11.5 per cent. Mr Chow said he had made an improvement in productivity a priority since his arrival at GKN from BOC in January.

Earnings per share rose 23 per cent to 38.9p. The interim dividend was increased 9 per cent to 10.5p.

As well as its Thai venture, GKN also spent £350m on the US-based Sinter Metals, making it the largest supplier of precision pressed powder metal parts inthe world.

In addition, there were three acquisitions in the aircraft "composite structures" business.

Elsewhere, GKN Westland Helicopters increased its order book to £3.8bn followingtbe confirmation of an order from the Italian navy.

Mr Chow said a number of leads were being pursued to bolster defence orders.

GKN is due to complete work on a large order for the Warrior armoured vehicle by the end of the year. Plans have been announced to reduce the workforce at the company's Telford plant.

Lex, Page 10

Cortecs to detail bone disease drug tests

By Daniel Green

Cortecs, the UK-based biotechnology company, will today announce good results from trials of Macritonin, a treatment for osteoporosis, the bone disease. It follows a series of disappointing trials in the sector which have depressed share prices on both sides of the Atlantic.

Cortecs will submit the drug to UK regulators this month and aims to launch the treatment next year. An application for US approval awaits further separate trials.

Analysts at Lehman Brothers, the stockbrokers, hava estimated that sales could reach $250m by 2003.

Yesterday Cortecs shares closed at 162½p, half their 12-month high, valuing the business at £250m ($407.5m).

The treatment is a capsule version of calcitonin, a protein administered by injection or nasal spray. It has annual sales of $800m a year.

Proteins cannot normally be taken by mouth but Cortecs has developed technology which allows the protein to pass into the blood without being digested. Today's trial results will show that Macritonin is as effective as the nasal version when measured by its effect on the levels of chemicals in the blood associated with bone erosion.

Osteoporosis, which makes bones brittle, affects up to half of older women and about one in 12 men over 50. It accounts for 1.3m fractures a year in the US alone, and treatment costs of $15bn.

Link with Microsoft stuns Macintosh loyalists

By Victoria Griffiths in Boston

The news that the shake-up at Apple would include a tie-up with arch-rival Microsoft stunned loyal Macintosh computer users at the Macworld conference in Boston yesterday.

A collective groan rose from the audience when Mr Steve Jobs, Apple founder, made the announcement, and despair mounted when Mr Bill Gates, Microsoft chief executive, appeared on an overhead screen via video-conference. "I'm going to be sick," moaned a man in shorts and a "Be Digital" t-shirt. "Steve, what are you doing do us?" one woman wailed.

These conference visitors are part of a large number of Macintosh users for whom the choice of computer is a near-religion – and their reactions may point to heart-felt resistance to the deal among Apple's most loyal customers.

The thousands of Macintosh users flocking to the Macworld meeting included an eclectic mix of fashionably-dressed women, men in business suits, and creative types with ponytails and goatee beards.

Most participants share a vision of the world that casts Mr Jobs as hero and Microsoft as the enemy. For them, partnership with Mr Gates is nothing short of betrayal – and they showed their disapproval by booing and hissing throughout much of Mr Jobs' keynote speech. Mr Jobs felt compelled to respond. "We have to let go of the notion that for Apple to win, Microsoft has to lose," he admonished.

The item which drew the most protests from the audience was the announcement that Microsoft's Internet Explorer would be incorporated as the default browser on Macintosh products. Mr Jobs hastened to add that users would be able to change the default.

Apple's loyal customer base is considered one of its greatest assets. "People in my office are terrified that they might have to switch to Windows one day," said Mr Donald Trainor, a graphics artist for the University of Buffalo. "They're pretty fanatical about it."

Pulling together a programme to salvage Apple without alienating these users will be a challenge. "Apple is the only life-style brand in the computer industry," said Mr Larry Ellison, chairman of the software group Oracle and a new Apple board member. "It's the only one people feel passionate about."

In spite of their reservations about Mr Gates, conference participants were clearly enthusiastic about Mr Jobs' return to Apple's board.

Mr Jobs received a rock-star welcome, with the adoring audience chanting his name as he walked on stage. The auditorium where he delivered his speech was so packed that the overflow had to be accommodated in satellite locations, linked by television.

Dressed in a simple white shirt with a black waistcoat, Mr Jobs looked like something of a messiah as he tried to put salve on the Microsoft wound by massaging the ego of his customers. He said Macintosh users were "the creative spirits in this world."

"They are out to change the world," he added. "A lot of people think our customers are crazy, but in that craziness we see genius."

WHO'S WHO ON THE APPLE BOARD ... the ins and outs

IN: STEVE JOBS One of the "two Steves" who, together with Stephen Wozniak, co-founded Apple Computer in 1976, starting the company in Jobs' parents' garage. Jobs led the development of the first Macintosh personal computer in the early 1980s. Ousted from the company after a boardroom battle in 1985, he went on to form NeXt, a computer company that attracted world-wide attention but few customers. NeXt later became NeXt Software. Apple acquired the company earlier this year to boost its software development efforts. With the NeXt acquisition, Jobs became a part-time adviser to Apple. In this role he has masterminded the reconstitution of Apple's board and set new product and strategic directions. Renowned for his powers of persuasion, Jobs is a hero to Macintosh fans. Among former Apple executives he is also remembered as manipulative and mercurial, but many say he has matured to become a brilliant strategic thinker. He remains chief executive of Pixar Animation Studios, a company he nurtured with 10 years of personal investments before its public stock offering last year. Pixar created the hit film *Toy Story*, the world's first computer animated feature film.

IN: LARRY ELLISON A multi-billionaire, said to be the richest resident of California. Ellison is chairman and chief executive of Oracle, the world's largest database software company, which he founded. Ellison calls himself "Steve Jobs' best friend" and the two have spent many hours mulling the future of Apple. Last year, he began talking publicly of launching a takeover bid for Apple. He planned to sell off its hardware operations, retaining the software side. He dropped these plans, apparently due to lack of interest among potential buyers of the hardware operations. Early this year, Ellison again floated the idea of "taking control" of Apple and reinstating Jobs at its helm. Outspoken in his criticism of Gil Amelio, then Apple chairman and chief executive, Ellison said Apple's management was ruining the company. However, he backed away as Jobs began to exert his influence at Apple. In April he said he had no plans to acquire an interest in the company. As a board member, he is expected to steer Apple towards the emerging market for "network computers" – low-cost internet terminals. Apple already has a network computer under development, but industry analysts say the product is unlikely to help restore the company to profit.

REMAINING: EDGAR WOOLARD The chairman and former chief executive of DuPont, Edgar Woolard appears to have played an active role in shaking up the Apple board, which he joined in June 1996. Also remaining on the board is Gareth Chang – a native of China and a senior vice-president of Hughes Electric and president of Hughes International. The other new recruit to the board is Bill Campbell. Campbell, a former Apple executive, and PC industry veteran, has seen companies win and fail – an experience that will no doubt prove valuable to Apple. As president and chief executive of Intuit, he has made several management changes to improve the software company's performance. Previously, he headed a start-up company, called Go, that pioneered the "pen computer". Like Apple's "personal digital assistant" products, Go's product failed. The company was eventually sold to AT&T.

At Apple, Campbell was vice-president of sales and marketing from 1983 to 1987 – a period that covered the launch of the Macintosh and the departure of Steve Jobs. Later he headed Apple's Claris software subsidiary, which the company had planned to spin off. He left Apple when these plans were shelved in favour of retaining Claris as a part of Apple.

IN: JERRY YORK As the former chief financial officer of International Business Machines, Jerry York wooed Wall Street analysts and persuaded them to take a more positive view of the flailing computer giant. Well regarded on Wall Street, York's membership of Apple's board is expected to boost confidence among institutional investors. A long-time associate of Louis Gerstner, the IBM chairman and chief executive, York had previously been chief financial officer at Chrysler and during his time at IBM he would frequently contrast the intense media attention and fast pace of the computer industry with the more predictable pace of the car industry. He left IBM in 1995 to join Tracinda, Kirk Kerkorian's investment group.

Apple said it planned to add three more members to its board. These will include the new chief executive, when he or she is appointed. Apple is also seeking a board member with links to the education community, one of the company's primary markets, as well as somebody with strong marketing experience, possibly from the consumer goods sector.

LEAVING: MIKE MARKKULA Those leaving the Apple board include Mike Markkula, the original investor in Apple who helped Steve Jobs and Stephen Wozniak found the company 23 years ago. Long at odds with Jobs, Markkula was seen as the "kingmaker" on Apple's board. *His* departure signals Jobs' return to power.

The reclusive Markkula had served on Apple's board from the beginning. Many market analysts have blamed him for failing to intervene in recent years. Earlier this year, Jim Clark, the chairman of Netscape Communications, and Larry Ellison, Oracle chairman, publicly chided Markkula for not taking a closer interest in Apple's problems. Markkula stepped aside as chairman of the Apple board in February 1996 when Gil Amelio arrived from the semiconductor industry to try to redirect Apple. Then the largest shareholder in the company, he took up the post of vice-chairman. Markkula's departure follows those recently of Amelio and of National Public Radio chief officer Delano Lewis. Also resigning yesterday were Katherine Hudson, of W.H. Brady, and Mr Bernard Goldstein, managing director of Broadview Associates.

Jobs pins hopes on education market

By Victoria Griffiths

Mr Steve Jobs, Apple founder, laid out a vision for the computer company in his address to the Macworld conference yesterday.

After announcing a partnership with Microsoft and sweeping changes to the Apple's board, Mr Jobs promised that the company would move back to profitability by stressing its "core competencies" in the area of education and content creation.

Mr Jobs seemed particularly enamoured with the education side of the business. "Who's the biggest education company in the world?" he asked his audience, answering the question himself: "Apple."

He also promised far better customer service, telling participants that he had taken to calling the company's help lines himself in recent weeks. "I got very acquainted with the hold signal," he joked. The lack of good client support was unforgivable, he said, since loyal customers were among Apple's most important assets.

Under new leadership, Apple will also be paying a lot closer attention to its Mac-OS product, the Macintosh version of Microsoft's Windows product line. "We had Tempo last year, we will have Allegro next year, but people are asking what's after that – Requiem?" Mr Jobs said. "We have to guarantee Macintosh users that they will have a continuous stream of products." Apple is encouraged by the enthusiastic response to its latest version of Mac-OS, Mac-OS8.

Apple's partnership with Microsoft throws into question current agreements with other technology companies, including Motorola and PowerComp. In a session with senior Apple executives following Mr Jobs' speech, Mr Fred Anderson, chief financial officer, said only that the company would honour existing agreements. The other groups were not previously informed about the new deal with Microsoft, he added, since details were only worked out on the morning of the announcement.

There is concern among Macintosh users that Apple's new promise to co-operate with Microsoft means a compromise in Apple quality. Apple executives sought to assure users by saying the agreement was meant to leverage Apple's technology, not override it.

As a key part of corporate strategy, Apple will actively pursue partnerships with other groups. Mr Jobs said an obvious candidate was Adoha Systems, an important developer of Macintosh software. In response to scepticism over Apple's partnership with Microsoft, Mr Gates commented: "We have to remember that Apple plus Microsoft control 100 per cent of the desktop computer market. What we agree is the standard, since they're the only other player."

Levelling the ups and downs

Rocky relationship has to be put in the past, says Louise Kehoe

With deep surgery on its board of directors and an injection of cash from its long-time nemesis Microsoft, Apple Computer is hoping to make a return to financial health.

After accumulating losses of $1.5bn over the past 18 months and seeing its share of the world personal computer market steadily decline, Apple is in a "precarious state at best", say market analysts.

Yet Mr Steve Jobs, the charismatic co-founder of Apple, who yesterday joined the company's board, is determined to give "his" company a new lease on life. He has tens of millions of Apple Macintosh fans rooting for him.

Mr Jobs, who has a penchant for drama, did not disappoint yesterday. Speaking at Macworld in Boston, he announced that Microsoft would invest $150m to acquire a non-voting stake in Apple. Apple said it would use the funds to expand its software and services offerings in the education and electronic publishing sectors.

In the past, Microsoft and Apple have had a rocky relationship. The companies fought a long and bitter court battle over Apple's allegations that Microsoft copied the "look and feel" of the Macintosh to create its Windows personal computer software.

Apple lost that battle both in the courts and in the marketplace. Veteran Apple analysts and former executives hold Microsoft responsible for the company's decline. In a reminder of this bitterness, the crowd attending Macworld in Boston yesterday booed Mr Bill Gates, the Microsoft chairman and chief executive, when his face appeared on a video screen.

Mr Greg Maffei, Microsoft chief financial officer, yesterday acknowledged that his company and Apple had had "some ups and downs". He noted, however, that Microsoft was the largest producer of application software for the Macintosh.

For Microsoft, the Macintosh market is a relatively small portion of its business, yet an important one.

As part of the agreement with Apple, Microsoft's Internet Explorer internet browser software will be installed on all future Apple products.

Apple's survival is important for Microsoft as a defence against antitrust allegations

Although this does not prevent users from choosing the competing Netscape Communications browser, it is expected to give Microsoft a boost in its ongoing battle for internet software market share.

Apple's survival is also important for Microsoft as a defence against allegations of anti-competitive business practices. Microsoft can at least point to Apple as a viable competitor in the PC operating system market.

Microsoft's purchase of Apple stock could, however, itself raise antitrust questions. In an attempt to avoid such issues, Microsoft will be a "non-voting" stockholder. The deal could also fuel antitrust complaints from Netscape which are believed to be under consideration by the Justice Department.

For Apple, however, Microsoft's endorsement is perhaps the strongest vote of confidence that it could hope to get.

Mr Jobs, speaking in Boston, said he had come to recognise that for Apple to win it did not mean that Microsoft had to lose.

Reconstituting the Apple board, which has been widely criticised for its lack of intervention over the past few years, was another important move.

The new board would take a "hands on" approach, Mr Jobs said.

As a member of the board, Mr Jobs returns to an official role at Apple, 12 years after he was summarily booted from the company. Returning Apple to its glory days may not be possible, but Mr Jobs's efforts appear at least to have given it a chance to survive.

[redacted]

COMPANIES AND FINANCE: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Acquisition helps CCA jump 69.7%

Coca-Cola Amatil, the Australian drinks bottler, lifted interim net profits 69.7 per cent to A$98.1 (US$72.5m) thanks to a two-month contribution from operations acquired from San Miguel, the Philippine brewer. Excluding these, net profits were flat at A$58.1m, in line with expectations.

Sales including the Philippine contribution were 24.3 per cent higher at A$2.2bn. Without it, revenues rose 4.5 per cent to A$1.87m. The Philippine operations, acquired in a A$3.7bn share deal, reported volume growth of 19 per cent after a marketing, sales and distribution drive. The Philippines is now CCA's largest market, adding to the group's operations in Europe, Australia and Asia-Pacific. As part of the deal, San Miguel became CCA's second-largest shareholder with 25 per cent, after the 33 per cent stake held in the company by Coca-Cola, of the US.

The Asia-Pacific region, which covers Indonesia, Papua New Guinea and New Zealand, reported a 31 per cent increase in trading profit and growth of 15 per cent in sales. CCA is expanding and building new plant in Indonesia, which by 1998 should double its capacity in the region. The New Zealand operations were below expectations as a result of price competition.

The group held on to its market lead in Europe, increasing volume growth 12 per cent. However, currency movements held back sales, which rose only 2 per cent. Mr Mike Iblein, CCA finance director, said margins in Europe had climbed to about 5 per cent owing to improved pricing. However, he warned that the floods in Poland would hit second-half results from Europe.

CCA's domestic market was fairly flat, with volume growth of just 3 per cent. However, the group expects an improvement from 1998 with the completion of a polyethylene terephthalate plant that would allow CCA in Australia to manufacture all its own bottles.

Capital expenditure in the first half was A$400m. The group expected a similar figure in the second six months.

Elizabeth Robinson, Sydney

■ RETAILING

Uniwide ahead in first half

Uniwide Holdings (UHI), the Philippine retail-based conglomerate, reported consolidated net income for the first six months of 1997 of 414.2m pesos ($14.4m), up 34.2 per cent year-on-year.

Gross revenues at UHI, a household goods retail and wholesale franchiser which has diversified into mall operation and property development, grew 30 per cent to 763m pesos, of which 38.3 per cent came from franchise fees and mall rentals, 32.3 per cent from the sale of leasehold rights in a coastal mall, and 29.4 per cent from the sale of residential and commercial lots in a project south of Manila.

Uniwide said the first-half results were satisfactory, but warned that full-year targets may be revised because of the high interest rates resulting from the peso's depreciation since July.

Second-half revenues are expected to grow with the opening of the Uniwide Coastal Mall in the fourth quarter.

Uniwide shares closed at 4.70 pesos, up from 4.60 pesos on Tuesday.

Neri Tenorio, Manila

■ DICKSON CONCEPTS

HK retailer plans new stores

Dickson Concepts, the Hong Kong retailer that recently agreed to take over Barney's, the US department store group, intends to open about 100 new outlets over the next financial year, bringing its retail network to more than 350 shops.

Mr Dickson Poon, chairman, said the company had the rights to operate Brooks Brothers stores in south-east Asia, and will also be distributing Coach products in the region. The group intended to launch a range of perfumes under the S. T. Dupont brand and had reached an understanding with Ferrari on marketing and distributing its range of apparel, he said. The agreement with Ferrari should see stores open in New York, London, Tokyo and Hong Kong. The company will also open at least 18 further Polo Jeans shops and "Corners" in Asia by the end of the financial year.

Mr Poon said the company remains on target for double-digit operating and earnings growth in the full year.

AFX-Asia, Hong Kong

Cathay Pacific slips at interim stage

By Louise Lucas in Hong Kong

Cathay Pacific, Hong Kong's de facto flag carrier, failed to lift interim net profits despite a compensation payment from Rolls Royce, of the UK, following the grounding of flights over engine reliability concerns.

Attributable profits fell 35 per cent, from HK$1.65bn in the six months to June 30, 1996 to HK$1.07bn (US$138.2m) for the same period this year.

However, last year's figures were boosted by a HK$541m gain from the sale of a stake in Dragonair, the regional carrier. Stripping out the exceptional item, earnings were down a more modest 3.4 per cent.

Analysts, who had not been expecting a settlement with Rolls Royce, were still disappointed by the results. Cathay Pacific did not detail the compensation payment, saying it was a confidential matter.

"Absolutely everything went against them in the first half," said Mr Philip Tulke, investment analyst at Lehman Brothers in Hong Kong. In addition to the grounding of flights in May, Cathay Pacific suffered from currency fluctuations and a weak travel market.

Mr Peter Sutch, chairman, joined Hong Kong hoteliers – some of whom suffered empty rooms during the handover of sovereignty to China on July 1 – in complaining that the hype had deterred visitors.

"The travel industry was a victim of its own success over the handover period," he said. "Such interest was created that many potential visitors simply assumed Hong Kong would be overflowing and that discouraged them from coming. Pricing of accommodation was also seen as being very high."

Since May, he said, passenger numbers have declined – particularly from Japan, one of Hong Kong's biggest visitor markets.

The two-week suspension of the fleet of A330-300s after concerns over the Rolls Royce Trent 700 engine also hurt. Cathay Pacific put the cost at HK$120-HK$150m, and analysts reckon the airline could have recouped about half to two-thirds of this from Rolls Royce.

In the second half, Cathay Pacific is expected to benefit from a strengthening yen, which should compensate for weakness in other south-east Asian currencies.

Earnings per share, excluding the 1996 exceptional item, slumped 17.5 per cent, from 37.7 HK cents to 31.1 HK cents.

The interim dividend is maintained at 11.5 HK cents.

Flying lower: Cathay was hurt by the grounding of flights after fears over engine safety AP

Li stakebuilding activates Jardine defences

The machinations undertaken by the Jardine group to insulate its companies from attack have been thrust under the spotlight by Mr Li Ka-shing's stakebuilding in two of the companies.

The Hong Kong-based Jardine group spent six years buttressing its defences after an abortive takeover bid in 1987. It relied on two key elements: a cross-shareholding structure and a specially tailored Takeover Code under Bermuda law.

That cross-shareholding arrangement is underpinned by Jardine Strategic Holdings. Jardine Matheson owns 57 per cent of Jardine Strategic Holdings, which in turn owns 38.5 per cent of Jardine Matheson. Hongkong Land is 32 per cent owned by JSH.

According to one corporate lawyer, it is this structure – more than the Bermuda code, which is based on the UK Takeover and Mergers code – that confers "bid-proofness".

"It comes hugely into play with Hongkong Land, because in order for any takeover to go unconditional you have to get at least 50.1 per cent of the shares, and that's quite difficult to do with the cross shareholdings," he says.

The cross-shareholdings, devised in 1988, are given added clout by the Bermuda code, which allows each shareholder full voting rights, a privilege they would not have in other jurisdictions.

The code came into force in July 1994, and played a part in the Jardine group's delisting from Hong Kong. Regulators refused to countenance a separate code for one – albeit powerful – group of companies and did not balk when Jardine responded by decamping to Singapore.

But Jardine has already reaped the fruits of adopting the Bermuda code. First, Mr Li was forced to show his hand after accumulating 3 per cent shareholdings in both Jardine Matheson and Hongkong Land: under Hong Kong rules he could have gone up to 10 per cent.

Henceforth, Mr Li will be required to disclose every subsequent 1 per cent interest he accumulates. "The market from here on in will be very aware of Mr Li's intentions, so it makes it difficult to take the level significantly higher," notes Mr Mike Warren, conglomerates analyst at Goldman Sachs.

Further muscle is conferred through a clause enabling Jardine to force shareholders to identify themselves. (According to the company, Mr Li bought his shares through Singapore's central clearing system, without naming either of his key companies as the beneficial shareholder, but of his own volition told Jardine he was behind the deal.)

Ordinary Hong Kong-listed companies must survive without this, as Hongkong Telecom discovered last year when one of its main shareholders sold 2 per cent and the territory's dominant telecoms carrier was forced to admit it was unaware of the identity of the buyer.

> The group's cross-shareholding structure confers 'bid-proofness', says one corporate lawyer

Finally, the code takes a tough line on associates, defined as any subsidiary which is 20 per cent or more held by another. For this reason, Mr Li's two companies, Cheung Kong Holdings and its 49.9 per cent-owned Hutchison Whampoa, were not able to accumulate stakes of 3 per cent each.

Analysts say this is one of the most effective defences, as it prevents other companies in the Li stable from joining forces. Mr Li's only alternative would be to act with unrelated but friendly parties. Names mentioned at this stage include the Malaysian Kwek family and Citic Pacific, Beijing's main investment vehicle, which was also a party to the abortive 1987 bid.

The barriers raised by Jardine do not make it immune, analysts say, but any bid is likely to be more protracted than it would otherwise be. This has ramifications for the pricing of any deal – a feature highlighted by the more than 30 per cent gain in Hongkong Land shares in the two days since Mr Li revealed his stakes.

What Mr Li has in his favour is a strong balance sheet and an obvious attraction for other minority shareholders.

"You are looking at two groups of companies that have very strong balance sheets, so the wherewithal to defend or launch a hostile bid is not in question," notes one stockbroker.

Teasing value out of the moribund Jardine companies would also please shareholders, who have seen their investments languish while the Hong Kong stock market has powered to new highs.

One banker observes that independent directors on the Jardine board would have a hard time making out a case for rebuffing a Li bid. "Beyond its own holding, the Jardine camp won't have any friends, because it is poorly run and the delisting from Hong Kong damaged shareholder value," he says.

Louise Lucas

Atlas Copco up 16% as demand climbs

By Greg McIvor in Stockholm

Half-year profits at Atlas Copco advanced 16 per cent as the Swedish engineering group was lifted by sharply improved second-quarter demand in important markets.

The company, which in June paid $900m for Prime Service, the second-largest US rental equipment company, posted an increase in pre-tax profits from SKr1.57bn to SKr1.7bn ($212m).

Excluding non-recurring itams, pre-tax earnings rose 10 per cent, ahead of market forecasts.

Atlas said ordera rose 14 per cent, with significant increases in Japan, China, Latin America, Australia, southern Europe and the UK. Currency movements, primarily the stronger dollar, accounted for 6 per cent of the increase.

The improvement was most marked in the second quarter. Operating profits in this period rose 33 per cent, from SKr722m to SKr957m, on sales up from SKr6.3bn to SKr7.4bn.

Atlas said the outlook for the European market had brightened. Mr Giulio Mazzalupi, the group's new chief executive, said: "We have seen that the trend in Europe has been significantly better in the second quarter. We believe that will continue during the second half of 1997."

He predicted demand would remain at present levels for the rest of the year. The group's forecast of "somewhat higher" full-year profits – made before the Prime deal – stood firm, he added.

Analysts interpreted this as an earnings upgrade, however, given Atlas's forecast that Prime will bave a negative effect of np to 5 per cent on profits in 1997-98.

Atlas's most-traded A shares closed up SKr6.5 at SKr241.50. They have more than doubled in value in the past year.

The half-year figures were unaffected by tbe Prime acquisition because the US company was not consolidated until July 1. It is to be inclnded as a separate unit within Atlas's compressor division.

The purchase, strengthening Atlas in the North American engineering market, reflects a trend for companies to lease rather than buy construction equipment.

Atlas's sales rose from SKr12.4bn to SKr13.8bn, although 6 percentage points of the 11 per cent increase was attributable to currency factors.

The biggest division, compressors, showed volume increases in its five business areas and lifted operating profits from SKr861m to SKr1bn. Turnover was up 12 per cent, from SKr5.4bn to SKr6.1bn.

Construction and mining equipment and the power tools arm did less well. Their combined operating profits were only slightly ahead, from SKr685m to SKr692m.

Saab taking a gamble with 9-5 saloon

The audience at Saab Automobile's recent launch of the new 9-5 saloon was treated to a stunt involving a simulated jet fighter screaming overhead, recalling the company's history as a maker of combat aircraft.

The literal link with aviation bas become tenuous since Sweden's Investor group, whicb owns 50 per cent of tbe car company, split off aerospace some years ago. Metaphorically, it was appropriate for a company struggling to remain airborne against increasingly hostile skies.

Saab this week reported increased first half pre-tax losses of SKr600m ($75m), compared with SKr428m, because of heavier sales and marketing costs. The deterioration followed a SKr1.24bn loss in 1996 after breaking even the previous year.

The latest figures bear out the poor trend of much of the 1990s, despite the arrival of high-flying executives from General Motors, the world's biggest carmaker, which bought a 50 per cent stake and took management control in late 1989.

Saab's problem remains its low output. The group considers itself a rival to German groups BMW and Audi as a leading maker of executive cars, but with production of barely 100,000 units last year, it builds one-fifth as many vehicles. That is not enough to generate the cash needed to finance spiralling advertising and marketing requirements, let alone develop more new products to broaden its range.

Last chance: chief executive Robert Hendry admits the future depends on the new model's success PicaPressfoto

Until recently, Saab's GM-appointed bosses concentrated on cutting expenditure and improving efficiency to compensate for low output and high Swedisb costs. Output has been concentrated at the Trollhätten headquarters, while new GM-inspired production techniques have reduced the manufacturing workforce from a peak of more than 10,000 in the 1980s to 4,000 today.

Revitalising the model range was GM's other priority. That started in 1993, with the launch of the new 900 to replace a model that was 14 years old. However, the 900 was panned by the press as a poorly-concealed copy of GM's European Vectra. Customers, meanwhile, deserted in droves because of quality problems on early cars.

The challenge with the 9-5 is to prevent history repeating itself, says Mr Bob Hendry, appointed by GM as Sabb chief executive last August. The difference this time is that the 9-5 is a better car than the 900 and Saab is more committed to marketing it, he says.

Mr Hendry delayed the 9-5's launch by several months to ensure it was np to scratch. And Saab is determined to spend enough on advertising to ensure the newcomer is not eclipsed by its rivals. Such significant, but unquantified, launch and marketing costs were behind the poor first-half results. "We have to spend to break even," he argues.

Mr Hendry's strategy is that only hy spending more to lift sales can Saab generate the cash for more new products and gradually recoup the $1bn-$1.2hn poured in by GM for its original stake and subsequent investment. "A 12-year product cycle is not acceptable," be says.

While the new saloon is "the epitome of our strategy", it will be followed by some smaller developments. Next year will bring a boldly-styled 9-5 station wagon and the 900 series will be revamped and extended.

Restructuring Saab's dealer network is Mr Hendry's second aim. Some 80 per cent of total sales stem from fewer than half the group's 50 markets. He believes there is considerable untapped potential in the brand. The aim is to raise sales to the break even level of 130,000 in the short term and to 150,000 by 2000.

The odds against that happening are strong. Although the 9-5 has been well received by the press, it is not exceptional. While few doubt it will do better than the previous 9000, which will remain in production in limited form, it is not an obvious candidate to win over loyal BMW or Audi buyers.

Competition is also growing from outside the established band of executive car companies. Volkswagen's has upped its game with the new Passat. And Saab's arch-rival Volvo is spending heavily to revise its models.

Marketing will exact a heavy toll. Mr Hendry draws attention to Saab's success in the UK, where sales have soared recently. But recent figures demonstrate the financial burden of carving out a bigger niche for a relatively low-volume manufacturer. While BMW and Mercedes-Benz spent the equivalent of £202 and £284 a car on advertising, respectively, Saab's spending was £762 ($1,242).

Mr Hendry prefers not to dwell on Saab's prospects if the 9-5 falls short of expectations. He admits the vehicle is the company's "last chance", but declines to elucidate on GM's options should sales disappoint.

Killing off Saab seems inconceivable at a time when GM is concentrating on building up its brand portfolio in the US and Europe. Saab has been earmarked as the group's international premium brand. Closing the company would also cause uproar in Sweden, where Saab remains an industrial icon. Using Saab's facilities for other GM products seems as unlikely.

But one wager looks fairly certain. After agreeing last year to buy "all or part" of Investor's remaining stake by 2000, the ultimate decision on Saab's fate will be GM's alone.

Haig Simonian

Shift to added value pays off for Hoogovens

By Gordon Cramb in Amsterdam

Hoogovens, the Dutch metals producer, yesterday posted a 40 per cent jump in interim net profits to Fl 194m ($93m), benefiting from a move to add value to its steel output.

Finished products contributed 86 per cenl of steel sales in the period, up from 73 per cent a year earlier. Hoogovens Boël, a Belgian joint venture brought into the group in April, manufactures exclusively for end use, and the proportion has since risen as high as 93 per cent.

Mr Maarten van Veen, chairman, said the move to boost added value was part of a strategy to make the group more resistant to the industry cycle. Another was to offer specialist knowledge of both steel and aluminium to provide solutions in different sectors.

"The packaging market behaves differently to aircraft building. Through our diversity in markets we become less vulnerable," he said.

Revenues rose 19 per cent to Fl 4.5bn, with the incorporation of Boël and the move in January to full ownership of Germany's Hille & Müller providing just over half the growth.

Mr van Veen indicated that Boël – brought into the group through a rescue backed by the Walloon regional government – was still loss-making. But other Hoogovens units were also falling short of the 12.5 per cent return on investment – its target through the cycle.

The steel side provided pre-tax profits of Fl 275m, up from Fl 193m, on sales of Fl 3.09bn against Fl 2.55bn. Aluminium brougbt in Fl 38m, compared witb Fl 25m, on turnover which rose from Fl 1.11bn to Fl 1.38bn.

Tbe bottom line was buoyed by Fl 13m in extraordinary income, compared with Fl 3m losses last time.

● The European Commission yesterday approved the sale of a controlling stake in ODS/Hoogovens, the metal trading arm, to a unit of Klöckner Stahl of Germany.

Adidas stays on track with 41% advance

By Sarah Althaus in Frankfurt

Adidas, the German sportswear group, built on its strong recent track record yesterday with a 41 per cent leap in pre-tax profits from DM249m lo DM352m ($196m) in the first six months.

The improved performance reflects a 40 per cent rise in turnover from DM2.24bn to a record DM3.14bn, and underlines the group's sharp recovery from a slump in the early 1990s.

Net income, up 29 per cent at DM238m, was held back by higher taxes. Earnings per share rose from DM4.06 to DM5.24.

The results were at the upper end of market expectations and the shares closed DM2 higher at DM218.

"It's an impressive set of figures and the outlook for the next six months looks good," said Mr Markus Plümer, analyst at WestLB Research.

Mr Plümer pointed to the group's healthy order backlog – up 56 per cent at the end of June – and strong growth in US operations, where the company has stepped up its marketing to compete with global leaders Nike and Reebok.

Europe remained the group's main market in the first six months, accounting for sales of DM1.99bn, up 29 per cent, with a particularly strong performance in the UK.

However, sales growth was strongest in the Asia-Pacific region, where turnover more than doubled to DM359m, driven by tbe group's Australian operations and the consolidation of its South Korean joint venture.

In North America, where Adidas is aiming to lift market share from about 5 per cent to 10-15 per cent by 2000, turnover jumped 51 per cent to DM727m.

In the second quarter, traditionally a weak period for sportswear companies, group sales climbed 36.5 per cent to DM1.43bn and net income was up 19.8 per cent at DM69m.

Profit cycle: Adidas-sponsored Jan Ullrich Reuters

Analysts have credited Mr Robert Louis-Dreyfus, chairman, witb Adidas's strong sbowing in the last few years.

Since Mr Louis-Dreyfus – a former chief executive of Saatchi and Saatchi, the UK advertising group – took over in 1993, the company bas adopted a more aggressive marketing strategy, revamped its product range and returned its focus to technological innovations.

Recent high-profile sponsorsbip agreements include those with the New York Yankees baseball team; Kobe Bryant, the US basketball player; and Jan Ullrich, the winner of this year's Tour de France cycle race.

Observer, Page 9

Norwegian banks rise

By Hilary Barnes in Copenhagen

Norway's two largest commercial banks, both controlled by tbe state, posted strong profits in the first half as lending surged and interest margins stabilised.

However, the results at botb Den norske Bank and Christiania Bank were at the low end of expectations, and the shares slipped NKr.05 to NKr33 and NKr1.10 to NKr27.60, respectively.

DnB, witb assets at the bank itself of NKr218bn and total group assets of NKr283bn ($36.5bn), increased pre-tax operating profits by NKr5m to NKr1.505bn. Net operating income was ahead by NKr113m to NKr1.53bn as lending climbed 11.7 per cent.

The bank's insurance subsidiary, Vital, contributed NKr86m to profits, compared with NKr23m in the same period last year.

Earnings per share edged ahead from NKr2.32 to NKr2.33, but return on equity slipped from 23.3 per cenl to 20.8 per cent.

The bank was again able to report net reversals on loan loss provisions made during the banking crisis of 1992-93.

These provisions made a NKr161m contribution to earnings, down from NKr226m last year.

At Cbristiania Bank – whicb suffered a setback in June when a shareholder revolt at Storebrand, Norway's largest insnrer, blocked a merger with the bank – pre-tax operating profits were ahead from NKr1.11bn to NKr1.23bn.

Operating income before loan-loss provisions increased from NKr978m to NKr1.05bn. Loans to customers rose 17 per cent to NKr145bn from June 30 last year, following aspecially strong growth in the second quarter, but this was not typical and not representative of future developments, said Mr Tom Ruud, chief executive.

Net loan-loss reversala contributed NKr182m to income against NKr105m in the first half last year.

Earnings per share increased from NKr2.00 to NKr2.20, corresponding to a return on equity of 24 per cent.

Botb banks are strongly capitalised. Christiania, with assets of NKr174bn, said the capital adequacy ratio was 10 per cent at the end of the period, with the core capital ratio at 5.9 per cent.

DnB's capital ratio was 9.9 per cent and the core capital ratio, 6.9 per cent.

EUROPEAN NEWS DIGEST

JCI rejects Gold Fields

JCI, South Africa's first black-controlled mining house, has rejected an offer for Tavistock, its wholly-owned coal subsidiary, from Gold Fields of South Africa.

Analysts yesterday expected Tavistock instead to merge with Duiker, the coal arm of the UK-based Lonrho conglomerate. JCI last month acquired an option to buy 26.7 per cent of Lonrho from Anglo American, the UK group's largest single shareholder, subject to approval by the European Commission.

In a letter to Gold Fields Coal, Tavistock yesterday confirmed it was pursuing discussions with another suitor. "It'a definitely Duiker, and [a deal] will be done," said Mr Dean Cunningham, mining analyst at Investec in Johannesburg.

Gold Fields is understood to have offered up to R2bn ($430m) for Tavistock, which is valued at about R1.5bn. The deal would bave extended the life of Gold Fields' ailing coal interests, and provided cash to fund JCI's purchase of Anglo's R2.45bn interest in Lonrho, which is dne at the year-end. However, a merger between Tavistock and Duiker will strengthen ties between JCI and Duiker's UK parent following the collapse of merger talks between JCI and Lonrho in June.

Analysts said Mr Brett Kebble, tha 32 year-old chairman of JCI's gold division and a business partner of Mr Mzi Khumalo, the JCI chairman, was devising a new strategy to merge JCI with Lonrho. Its option on Lonrho was "a passive investment at this stage", said Mr Cunningham. "But if Brett does the right deals, he will be on the main board [of Lonrho] in 12-18 months".

Mark Ashurst, Johannesburg

■ SPAIN

Repsol posts flat interims

Repsol, the Spanish oil, gas and chemicals conglomerate that was privatised earlier this year, yesterday reported flat interim results after strongly improved earnings in the second quarter compensated for a 12 per cent fall in net profits in the January-March period.

Higher earnings were fuelled by the consolidation of assets acquired by the group's aggressive expansion in Latin America. Attributable net profits after minorities at the end of the first half was Pta61.6bn ($387.8m) against Pta61.4bn last year, after operating profits in tha second quarter rose by 18.6 per cent quarter-on-quarter to Pta50.9bn.

The renewed earnings drive in the second quarter suggested the group had absorbed the impact of higher depreciation charges – assumed to gain tax breaks from revalued fixed assets – and of dampened income from its gas business which was hit by lowered household demand and a government-imposed price freeze.

Repsol's Latin American expansion has involved the acquisition of exploration and distribution assets in Argentina, Colombia, Mexico and Chile. Total investment over the first six months totalled Pta213.7bn against Pta103.8bn over the same period last year.

Tom Burns, Madrid

■ FUND MANAGEMENT

UBS moves to quell PDFM fears

UBS, the largest Swiss bank, yesterday sought to quasb concerns that it is at odds with PDFM, its UK fund management subsidiary. The bank said there was no dispute between its group executive board and PDFM about its controversial investment strategy.

For the past two years PDFM has invested more of the assets that it manages in cash than its competitors, resulting in poor investment performance.

Mr Arthur Decurtins, head of private banking and institutional asset management, said PDFM "is at the heart of institutional asset management of UBS". He said the statement about PDFM in a letter to shareholders by Mr Robert Studer, chairman of UBS, and Mr Mathis Cabiallavetta, chief executive, had been "badly translated".

Mr Studer and Mr Cabiallavetta had written that PDFM's "investment process has been thoroughly revamped, but a change of strategy is not opportune at the current point in time".

Yesterday Mr Decurtins said that "the message we were trying to convey was that investment policies are kept under constant review by PDFM. This process is continuous as they are constantly trying to improve it".

William Lewis, London

■ COSMETICS

L'Oréal sales advance 13%

L'Oréal, the French beauty and pharmaceutical group said yesterday that its first-half 1997 sales rose 13 per cent from FFr30.11bn last year to FFr34.02bn ($5.36bn). It said cosmetic sales rose 13 per cent during the first-half, or 8.1 per cent excluding structural and foreign exchange gains. L'Oréal's total sales in the second quarter rose 15 per cent from FFr15.29bn a year ago to FFr17.51bn. Second-quarter cosmetic sales rose 14 per cent from FFr12.56bn to FFr14.36bn That followed a 12 per cent risa in first-quarter 1997 sales to FFr13.36bn.

AP-DJ, Paris

■ AIRLINES

Alitalia shares suspended again

Shares in Alitalia, the state-controlled Italian airline, were suspended in early afternoon trade in Milan yesterday on speculation that it could form a strategic alliance witb Dutch airline KLM. The shares were suspended after rising more than the authorised 10 per cent, to L1,100 from Tuesday's close of L975.

Yesterday's suspension was the second in two days and follows recent comments by KLM president Mr Pieter Bouw on the Dutch carrier's aearch for a European strategic partner. On Tuesday, he reiterated that there had been talks with the Italian group. Apart from the speculation, traders said lack of liquidity and a restricted trading session made Alitalia's shares volatile.

Agencies, Milan

■ ENDESA

Credit agencies calm on Chile deal

Endesa, the big Spanish power group, has had a mostly positive reception from credit rating agencies following its $1.2bn bid to acquire a controlling 29 per cent of Enersis, the Chilean electricity group.

The acquisition, which will be wholly financed hy Endesa's available bank lines and debt facilities, is forecast to raise the Spanish group's debt by 18 per cent and its gearing to 78 per cent, against 65 per cent last year.

Standard and Poor's of the US said it was putting Endesa's AA+ rating under revision but that the downgrade, if effective, would not be by more than one stage. Enersis has an A+ S&P rating.

IBCA, tbe European credit agency, said it would keep Endesa's long-term and short-term ratings unchanged at AA and A+ respectively. IBCA said the acquisition of Enersis would consolidate Endesa's position as a global electricity utility and substantially enhance its position in Latin America.

Endesa's bid marks a turning point in its international strategy. The Spanisb giant had formerly acquired minority share holdings in foreign companies but its stake in Enersis huys it control of the Chilean company and the right to nominate four directors to its seven-member board.

Tom Burns

[redacted]

Underlying interim profits advance 19%, helped by strong growth in premium income

Pru doubles compensation provision

By Virginia Marsh

Prudential Corporation, the UK's largest publicly-owned life insurer, has almost doubled to £450m ($783.5m) its provision for the cost of compensating victims of pension mis-selling.

The move follows pressure on the pensions industry from the Labour government to make faster progress in clearing up the mis-selling scandal, which has dragged on since the early 1990s.

Yesterday's announcement follows a warning from the Association of British Insurers that compensation and other costs from mis-selling are likely to exceed £4bn, partly because of the Budget's recent abolition of tax credits for pension schemes.

Sir Peter Davis, chief executive, said Prudential was accelerating the settlement of outstanding cases, ahead of the company's deadline of next March. The company had cleared 17,200 out of nearly 60,000 cases by the end of July, up from 3,200 two months earlier.

The provision, up from £240m, from its £46bn life fund would not affect the company's profits or bonuses to policyholders.

However, it said its purchase of Scottish Amicable, due to be completed on September 30, and the change of government, had delayed talks with the Department of Trade and Industry on the fate of its orphan assets. These assets – surplus to policyholders' needs – are estimated to account for some £5bn of the life fund.

The announcements came as Prudential unveiled a 19 per cent increase in underlying operating profits to £389m for the half year to June 30, at the top end of expectations.

The amount of funds under management at the Pru – already the largest UK-based institutional investor – reached the £100bn mark for the first time, an increase of £9bn since the start of the year.

Mr Jonathan Bloomer, finance director, said this was partly because of the strong performance of the UK stock market but was also because of an increase in gross premium income of about £6bn, compared with about £10bn for the whole of 1996.

At Jackson National Life, the US retail business, single premium sales rose by 43 per cent to $2.4bn and total annuity sales increased 71 per cent to $1.7bn. In the UK, gross premiums written rose to £939m (£860m) in pensions and to £1.65bn (£1.54bn) in life and annuity business. Pre-tax profits rose to £645m (£361m).

Sir Peter said the company still aimed to build its presence on Britain's high streets. But, "we don't see any value in buying a building society at the current range of prices", he said.

Cadbury shrugs off strength of sterling

By David Blackwell

Cadbury Schweppes lifted underlying earnings by almost a quarter in the first half, shrugging off a £16m ($26m) effect from the strength of sterling.

Shares in the confectionery and soft drinks group rose 16p to 611½p yesterday after Mr John Sunderland, chief executive for the past 12 months, said the group was on course for a satisfactory year in spite of the adverse exchange rate.

Mr Sunderland sought to play down concerns over the US beverage market and the move into new markets for confectionery. He said that Dr Pepper "continued to display a remarkable robustness," reporting 4.3 per cent growth in a US beverage market 3 per cent ahead.

The Russian confectionery factory, opened on July 18, had taken the group into "one of the most exciting markets in the world, second only to the US". While the fixed costs of the greenfield investment had led to an increase of £4m in Russian losses, the group was on target to break even by the turn of the century.

The £623m sale in February of the 51 per cent stake in Coca-Cola Schweppes Beverages, the UK bottling operation, realised an exceptional £417m gain. As a result, pre-tax profits for the 24 weeks to June 14 almost trebled to £653m (£231m).

But leaving aside the CCSB disposal, restructuring charges of £40m and the currency impact, profits before tax were 2 per cent ahead at £236m. The disposal cut borrowings almost in half to £882m (£1.62bn), and net interest payable fell from £49m to £29m.

If the figures are adjusted for constant exchange rates and restructuring costs excluded, trading profits rose 4 per cent to £245m and sales 5 per cent to £1.84bn.

Beverage sales fell 6 per cent in real terms to £869m, although they were 3 per cent up adjusted for currency. Trading profits were up an adjusted 6 per cent to £142m. Confectionery sales were flat at £968m, and 6 per cent up adjusted for exchange rates. Adjusted trading profits were 3 per cent ahead at £103m.

Sir Dominic Cadbury, chairman, said the 6 per cent dividend lift was in line with the group's policy of raising the cover closer to the food sector average of 2.5 times.

Asia buoys Standard Chartered

By George Graham, Banking Correspondent

Strong lending growth in Hong Kong and other Asian markets helped Standard Chartered, the international banking group, lift pre-tax trading profits for the first six months of this year to £434m ($707m), up 16 per cent at constant exchange rates.

With about 80 per cent of its business in currencies linked more or less to the dollar, the results suffered in translation from the strength of sterling.

At constant rates, however, the customer loan book rose 19 per cent to £23bn, with revenues up 13 per cent to £1.03bn and costs up 10 per cent to £555m.

Its mortgage loan book in Hong Kong has risen by what Mr Peter Wood, group finance director, described as a "stunning 23 per cent" over the past year to £3.4bn.

Fierce competition has driven Hong Kong mortgage rates down from 1½ per cent over prime a year ago to a normal margin of just ¼ per cent over prime, which has cut the bank's average mortgage margin in the city from 4.4 per cent to 3.5 per cent.

With other types of lending also buoyant, however, the bank limited overall margin erosion in Hong Kong to just 10 basis points. Margins in Malaysia and Singapore narrowed by an average of 20 basis points.

As it had predicted last year, the bank saw its costs rise in the first half as it began to invest in expanding its personal banking business in such countries as India, Indonesia and Taiwan.

Mr Patrick Gillam, chairman, said the bank had made clear it was "in investment mode" after three years of holding costs flat.

Mr Malcolm Williamson, chief executive, said planned investments of about £90m this year would allow Standard Chartered to take advantage of its position in Asia, which it still regarded as "the right place to be".

He added: "If we had had another year of minimising costs, we would have pumped out a much higher profit, but in four years we would have suffered the consequences."

Trading profits from Africa doubled to £40m, while the Middle East and south-east Asia rose 32 per cent to £29m, despite heavy investments in linking the Bombay branches to Singapore.

Provisions remained flat at £44m, even after an £8m contingent liability for a six year-old lawsuit. The bank's Tier 1 capital adequacy ratio stood at 8.3 per cent, up from 8.1 per cent a year earlier but down from 8.6 per cent at the year-end.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cadbury Schweppes	24 wks to June 14	1,884	(2,293)	853♥	(231♠)	47.1	(12.1)	5.5大	Nov 21	5.2	-	17
Capital Shopping	6 mths to June 30	73.2	(66.6)	36.3	(27.8)	6.81†	(5.8)	4.125	Oct 7	3.75	-	8.25
Commercial Union	6 mths to June 30★	4,274□	(4,569□)	335	(265)	32†	(23.8)	12.25大	Nov 17	11.45	-	30.3
GKN	6 mths to June 28	1,687	(1,728)	203	(181)	38.9	(31.7)	10.5大	Sept 10	9.6	-	26.5
Heywood Williams	6 mths to June 30	305	(310.8)	21.8♥	(15.3♠)	15.2	(9.3)	5	Oct 17	5	-	13.8
Interoute Tele Φ	Yr to May 31 ☆	8.07	(1.7)	4.8L	(0.898L)	14.1L†	(2.9L)	-	-	-	-	-
Leslie Wise	6 mths to May 31★	34.6	(32.3)	1.07♠	(1.41)	1.94	(2.67)	1	Oct 1	1.75	-	3
Lomond U'writing	5½ mths to Mar 31	22.7□	(-)	6.05	(-)	12.4	(-)	10	Sept 19	-	-	-
Metal Bulletin	6 mths to June 30	11.3	(10.8)	2.15	(2.04)	14.6	(13.9)	6.7	Oct 3	5.8	-	20
Prudential	6 mths to June 30	5,314□	(4,601□)	645♥	(361)	24.1	(12.9)	6.4大	Nov 27	5.8	-	17.3
Select Appointm'ts.	6 mths to June 30★	241.4	(161)	13.3	(7.73)	9.7	(7.1)	1.2	Oct 31	1	-	3
Standard Chartered	6 mths to June 30	-	(-)	435	(448♥)	28.9	(30.5)	5.25	Oct 17	4.25	-	14.5
TDG	8 mths to June 30	254.8	(256.6)	15.1♥	(15.6♥)	7.73‡	(7.42)	4	Oct 3	4	-	9.5
VFG Φ	6 mths to May 31	1.94	(1.25)	0.202	(0.108)	1.84	(2.06)	0.4	Aug 31	-	-	-
Woolwich	6 mths to June 30	-	(-)	187.8♠	(183.1)	7.1	(7.5)	3	Oct 27	-	-	-
Zetters	Yr to Mar 31	16.2	(19.7)	2.36♥	(1.02)	24.8	(10.1)	5	Oct 10	5	10	10

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
CU Environmental	6 mths to June 30	143	(143)	0.085	(0.041)	0.49	(0.23)	-	-	-	-	0.5
Knox D'Arcy	Yr to Apr 30 ☆	40	(36.1)	1.63	(2.81L)	3.7†	(17.2L)	nil	-	nil	nil	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. 大Foreign income dividend. ★Comparatives restated. □Total premiums. ΦAim stock. ☆Comparatives for 13 months. ‡On reduced capital.

NEWS DIGEST

Racal likely to float US arm

The US data products business of Racal Electronics is likely to be floated off under the UK group's strategic review, which has been under way for two months. Mr Paul Kozlowski, head of Racal Data Products, said yesterday the move was at present the only option under discussion with Goldman Sachs, the US investment bank which has been hired by Racal to advise on the future of the lossmaking division.

However, Mr Kozlowski, brought in by Racal two years' ago to turn the division round, said much depended on the business returning to the black this year – which rested on the success of a new generation of products being launched this summer.

He added that a flotation would most likely take place on Nasdaq, with spring next year the probable date. Under the listing plan, Racal would retain a stake of 60-80 per cent. This would allow Racal Data Products to offer shares and share options to staff. That business made losses of £19.1m on sales of £281m last year.

Racal has also hired Merrill Lynch, the US investment bank, to advise it on the future of its telecommunications division. Its preferred outcome would be to find a partner but a sale would also be considered. *Christopher Price*

Woolwich signals buy-back

Woolwich, the former building society which floated last month, is expected to buy back some of its shares next year. The indication accompanied results showing a 13 per cent increase in pre-tax profits to £214.5m ($349.6m) for the six months to June 30, excluding £26.7m costs linked to its conversion from a mutual.

Mr John Stewart, chief executive, said the new bank had more capital than it needed. He hoped to put initial proposals to the annual meeting next spring on returning some of the surplus to shareholders. "We are looking at giving some of the money back, though not necessarily a huge amount." Woolwich's Tier 1 capital adequacy ratio has risen to 12.6 per cent. Cutting that to the sector average of 8.5 per cent would release about £600m of excess capital.

Mr Stewart said Woolwich still intended to use some of its surplus to finance expansion. Acquisitions in the UK, however, "are looking problematic". However, he said the bank might "cherry-pick" in France, where it already has a foothold and where valuations are much lower. *George Graham*

CU kills merger talks

Commercial Union, the composite insurer, yesterday attempted to dampen speculation that it would participate in further industry consolidation.

"We do not see the need to make a major strategic acquisition," said Mr John Carter, chief executive. Its spread of businesses meant it did not need to merge with another company. There has been speculation of a tie-up with BAT's financial services business.

CU reported operating profits up 25 per cent to £235m at constant rates of exchange, excluding £114m of realised investment gains. Pre-tax profits for the half-year to June 30 were £335m (£265m).

Life profits jumped 24 per cent to £125m, representing about half total premium income, with strong contributions from the UK, Netherlands, Poland and Italy. General insurance profits increased 7 per cent to £169m, thanks to a turnround in the US. *Charis Gresser*

The engagement ring that has lost its sparkle

Tracy Corrigan and Virginia Marsh look at the potential outcomes of the review being undertaken by BT and MCI on their merger

Reviewing the situation: Sir Peter Bonfield and Bert Roberts, MCI chairman

The honeymoon of British Telecommunications and MCI Communications, which announced plans to merge last November, has ended before it began.

The companies are conducting a strategic review, prompted by last month's warning from MCI of mounting losses in its local telephone business. This should be concluded in a few weeks' time, but meanwhile shareholders are left wondering whether the couple will fall into each other's arms or call the whole thing off.

Though they may wish for different outcomes, investors on both sides of the Atlantic want a speedy resolution. Since MCI's warning late on July 10, its shares have dropped about $10 to $32¾ and BT's have dropped 60p to 417½p, valuing its mostly paper offer for the 81.3 per cent of MCI it does not own at $22.9bn.

Many MCI shareholders are still convinced the deal will go ahead more or less as planned.

In the UK, however, institutional shareholders, worried that BT is overpaying for a struggling business, have pressurised BT management to wring concessions out of MCI, or walk away. "It's fine by me if BT reverts to being a UK cash cow," said one UK fund manager. "It's better than doing a deal that fundamentally misvalues MCI, just to be a global player."

These are some of the potential outcomes:

● **Contract renegotiation:** BT shareholders would like it to negotiate a lower price on the grounds that MCI's entry into the still monopolistic US local market is proving more difficult than expected. But according to sources close to MCI the terms of the merger agreement do not allow for such a renegotiation.

Furthermore, while Sir Peter Bonfield, BT's chief executive, described the profits warning as "new news", BT's bankers had expressed scepticism about MCI's original projections in a document related to the merger. Rothschild warned that "while MCI would be in a position to finance its entry into the local market, MCI would build local market share and achieve break-even operating profitability significantly more slowly than anticipated by MCI senior management".

BT's chances of renegotiating the deal also depend on the relative willingness of either side to walk away from the deal.

> **Some BT shareholders are also unenthusiastic. "I want to see them sorting out the fundamentals of this deal, rebuilding their relationship with MCI and explaining how they are going to take Concert forward", said one**

● **Walking away:** Some BT investors insist they would prefer the company to pull out, even if this means paying a hefty penalty for breaking the merger agreement. With MCI noted for its litigiousness, the costs could be considerable in terms of management time as well as legal fees and potential compensation. As Mr James Dodd, an analyst at Dresdner Kleinwort Benson, has put it: "BT should walk away because [MCI's problems are] going to get much worse."

But abandoning the merger would leave a huge hole in BT's global strategy. Elsewhere in the telecoms industry powerful alliances are already in place – Sprint, France Telecom and Deutsche Telekom, for example. BT might be able to join forces with AT&T, although some US analysts say the US carrier's own prospects are worse than MCI's.

BT could just abandon its global pretensions, although that would represent a humiliating climbdown for its senior management. "If this deal falls apart, the idea of a global strategy will find a less ready ear with institutions in future," according to one company insider.

As for MCI, it is believed to have had other suitors – notably GTE – and so might make another match, although shareholders could hardly hope for as good a deal second time around.

● **Special dividend:** BT could sweeten the pill for its shareholders by paying another special dividend in addition to the 35p already planned alongside the 11.95p final pay-out.

UK analysts say making another payment before the deal is consummated would reduce the value of BT's offer, by taking cash out of the UK company, and might also support the shares which are likely to come under renewed pressure next week when the shares go ex-dividend.

BT has not commented on whether it is considering this option. However, Mr Robert Brace, finance director, says such a dividend could only be paid with MCI's consent and would therefore be classed as a renegotiation.

Some BT shareholders are also unenthusiastic. "Do I want to get a fat pay-out and to see BT pulling a one-off piece of financial jiggery-pokery? No, I want to see them sorting out the fundamentals of this deal, rebuilding their relationship with MCI and explaining how they are going to take Concert [the merged entity] forward," said one.

● **Local ambitions:** Since even BT backs MCI's strategy of entering the local market, so it can offer US consumers an integrated service, MCI seems unlikely to jettison its local ambitions.

However, the detail of MCI's local market strategy could be modified, according to US analysts. Its projected losses of $800m in the local market this year are largely the product of heavy spending as it tries to penetrate this segment.

Some analysts believe these costs could be halved by slowing the pace of investment and delaying entry into some areas.

This would fit with MCI's perception that the regulatory outlook is at last becoming more favourable. Legislation forcing local monopolies to end restrictive practices is starting to be enforced.

There is even a suggestion from analysts that such a scaling back could be accompanied by some relinquishing of control to BT management.

While BT's enthusiasm for heads rolling at MCI appears to have dimmed, some MCI managers might leave if BT insists on stronger control of the US business.

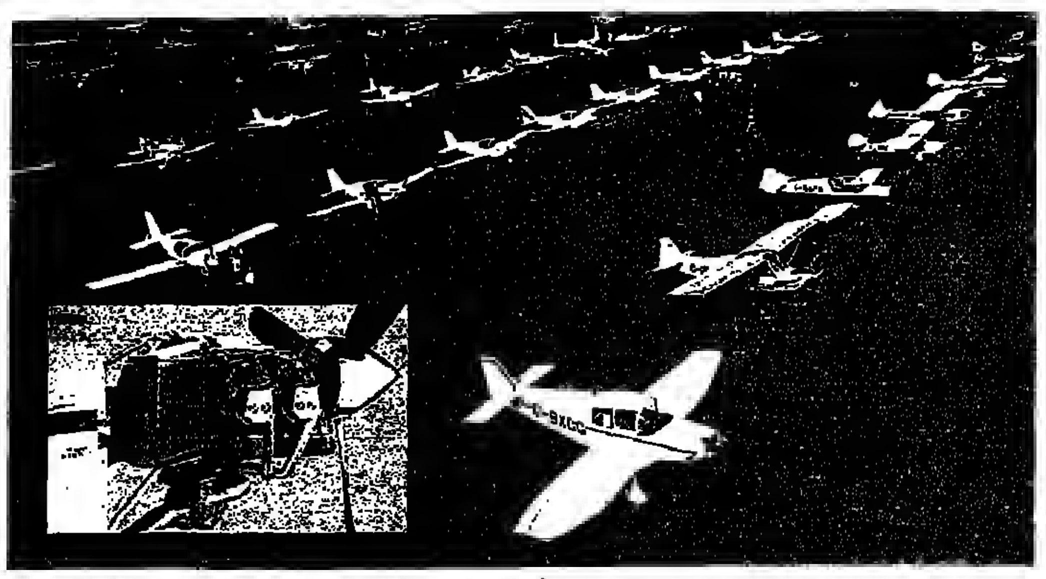
Whatever the outcome of the still mysterious negotiations, the weeks of uncertainty have left a sour taste in many investors' mouths.

"It's just a shame that the deal made in heaven has turned into a nightmare," said one US fund manager.

هكذا من الأصل

Diesel ready for take-off

After years of supremacy in light aircraft, petrol engines are facing competition, says **Robin Read**


Clear for take-off: light aircraft with the Renault engine (inset)
Mark Wagner

Diesel aero-engines, virtually abandoned by the aviation industry since the days of the pre-war German aircraft designer Hugo Junkers, are poised for take-off again.

Environmental pressures and the need to cut costs are creating a race among aerospace groups, automotive engineering companies and private individuals to grab a share of what could be an important new market. "Junkers would be delighted," says Michael Daniel, the UK engine designer. "Diesel power is returning to the skies by popular demand."

But manufacturers of turbojets, which power most airliners, helicopters and many smaller fixed-wing aircraft, have nn need to worry. The new diesel engines are intended to replace tha noisy piston engines used in most light aircraft where the power requirement is 500bhp or less.

Turbojet engines run on a cheap kerosene, AvTur, in use throughout the world. However, since the 1930s piston engines have generally burned a heavily-leaded petrol, AvGas. That has attracted the attention of the environmental movement, which sees aviation as the last unregulated atmospheric polluter.

AvGas also costs up to twice as much as AvTur in Europe. The extra cost, and the desire for improved operating efficiencies has brought further pressure for change. Fewer big airports are able to offer AvGas to the private and business flyer.

There is therefore a strong incentive to switch to power units able to use the universally available AvTur jet fuel. Not only is it cheaper and free from harmful additives, it also offers reduced flammability.

Unfortunately, this also means jet fnel is not volatile enough to ignite in the spark ignition systems used in light aviation engines, which prevents combustion from taking place. To run on AvTur, the piston engine must burn fuel by compression ignition – the diesel system.

There are no diesel aero-engines in regular use anywhere in the world, but the type enjoyed a vogue before the second world war, particularly in the supercharged two-stroke form introduced by Junkers and later used to establish the first regular transatlantic mail services. But the activities of the Junkers company came to an abrupt halt in 1945 and the world aero-engine industry moved away permanently from large piston engines to the turbojet.

Leading light aero-engine manufacturers, meanwhile, clung to their established petrol engine types, mainly US-built or based on US designs. Then in the late 1980s VM of Italy – better known for its automotive diesel engines – caused a stir by announcing that it was developing four-stroke aero-diesels. Renault followed, exhibiting a 250bhp engine at the Paris Air Show this year. The French company plans to enter regular production next year.

Others picked up where Junkers left off and embraced the advantages of the two-stroke system, in which every rotation of the crankshaft includes a power stroke instead of just one in two rotations, as in the case of the four-stroke.

Individuals too, including Michael Zoche of Munich, are hard at work developing modern two-stroke aero-diesels. In the UK John Ashton on the Isle of Wight and the former Cosworth engineer Mark Wilksch at Buckingham received Department of Trade and Industry grants in the mid-1990s and pressed ahead with prototype designs.

Ashton's project is still at the experimental stage and there are no known plans to begin flight testing. The Wilksch diesel is believed to be ready to take to the air although Wilksch is still seeking funding.

A third, privately financed British contender, Diesel Air, is developing a 100bhp two-stroke diesel prototype at its technical centre near Hastings, Sussex, to compete with the well-established Austrian Rotax 912 and US Teledyne-Continental 0-200 four-stroke petrol engines.

Increasingly aware of the potential new competition, the big US engine producers recently announced research and development programmes to introduce diesel replacements for their AvGas-fuelled ranges. Nasa put up $8.5m from the GAP (General Aviation Propulsion) programme to fund Teledyne-Continental's research and Textron-Lycoming will also spend an unspecified amount from a $25m five-year R&D budget to encourage development of a diesel piston aero-engine.

Bob Wilson, technical director of Isle of Wight-based Pilatus Britten-Norman, makers of the Islander short-haul passenger and military aircraft, favours an early switch to diesel power.

Roger Munk, the highly experienced driving force behind Airship Technologies of Cardington, Bedford, has already specified diesel power for his new 12-40 airship saying that "for safety, economy and reliability the diesel is the airship engine of the future".

With a fair wind, diesel-engined aircraft in the next century could be flying further on a litre of fuel, burning it more efficiently, costing less to own and operate. However, the task of developing this new market is daunting.

Food for thought on safety

William Macdonald on improving X-ray screening

An unwanted sliver of glass or piece of metal in a food product could land a manufacturer with heavy litigation and product recall costs. To reduce the risks, the food industry uses metal detectors and X-ray machines.

Metal detectors are the cheaper option, but for obvious reasons they cannot detect foreign bodies such as bone or glass.

As for X-rays, the less expensive systems can find defects in a uniform product such as margarine, but they do not work so well with something lumpy like soup, says Mark Graves, technical detector with Intelligent Manufacturing Systems (IMS), based near Birmingham in the UK.

Existing X-ray units produce a two-dimensional image of each can or jar as they pass the inspection point. One big drawback is that a splinter of glass or piece of bone will go undetected if it is aligned with the direction of the X-ray beam.

A number of European companies and research institutes have been involved in a project, co-ordinated by IMS and funded by the European Commission, to develop X-rays units which can overcome these problems. The other partners are Thomson Tubes Electroniques and SFM-ODS in France, Pulsarr Industrial Research in the Netherlands, the University of Wales and Unilever.

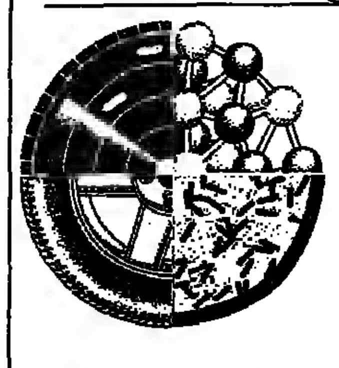
The system uses two X-ray beams set at right angles to each other. X-ray detection can produce a lot of "noise", but by using the two X-ray sources it is effectively possible to distinguish this from the image produced by a piece of bone or glass. "If something is detectable in both beams it is statistically unlikely that it is noise," says Graves.

IMS developed software algorithms with the University of Wales which compare and cootrast the two views, building a three-dimensional image and using knowledge-based methods to detect contamination.

Trials of a prototype are oearing completion and Unilever inteods to install an industrial system soon afterwards. Its productioo lines of bottled sauces and canned soups turn out oearly 500 units per minute.

The clever use of X-ray technology with up to date image processing software has otber applications. IMS is looking at using the system for detecting bones in chicken meat and in pharmaceutical inspection.

Worth Watching · Vanessa Houlder



Breakthrough in care of ageing skin

A natural substance that rejuvenates ageing human skin cells has been hailed by Australian scientists as a breakthrough in skincare.

Csiro, the Australian national research organisation, says that cells rapidly recover their youthful appearance while being treated with the substance, called b alanyl histidine, or Beta Alistine. They rapidly age when the treatment stops.

The Csiro scientists found that Beta Alistine increases the number of times that a skin cell can divide. It helps prevent collagen and other skin proteins from cross-linking and causing wrinkles. In addition, they say, it maintains the skin's immune defences, quenches harmful oxygen free radicals and scavenges toxic heavy metals.

Beta Peptide Foundation, a Sydney-based organisation, bas launched a range of skin products that use Beta Alistine as the main active ingredient.

Beta Peptide Foundation: Australia, tel 296634500; http://www.csiro.au/

Drug-resistant bacteria beaten

The growing resistance of bacteria to antibiotics has become a threat to public health, helping revive diseases such as tuberculosis that were thought to be under control.

A pioneering approach to tackling this problem has been demonstrated by scientists at Yale University. They restored drug sensitivity in a drug-resistant strain of bacteria, according to a report in the latest edition of Proceedings of the National Academy of Sciences.

The researchers successfully eliminated tbe material in bacteria that prevents antibiotics from exerting their toxic action on bacterial cells. Their approacb, which uses compounds called EGS oligozymes, is licensed to Innovir Laboratories, a biotechnology company.

Innovir Laboratories: US, tel 2122491100; fax 212 2494513.

System measures ripeness of fruit

Gnessing the ripeness of an avocado is a beadache for shoppers and shopkeepers. If it is not ripe, it will be hard and tasteless; if it is too ripe, it will be bruised and mushy.

An automatic tester promises to take the guesswork out of choosing avocados. The system uses sensitive detectors that can measure the ripeness of the fruit at several points on its surface. It can scan a carton of 20 avocados in five seconds.

The Avoscan system was developed by HL Hall, a Sonth African company, in conjunction with Imperial College in London. Sainsbury's, the supermarket chain, has the UK rights to the system for the next two years.

Similar technology is being developed for other stone fruit where firmness is an indicator of ripeness.

HL Hall: South Africa, tel 137556040; fax 137556003.

Step in treating gastric ulcers

Doctors used to think that gastric ulcers were hrought on by a stressful lifestyle. Now, ulcers are usually blamed on infection by a bacterium called *Helicobacter pylori*, which is thought to affect more than half of the world's population.

A significant advance in understanding this organism was revealed this week by researchers at the Institute for Genomic Research at Rockville, Maryland, which has worked out its complete genomic seqnence. The seqnence, which has been published on the internet, should belp researchers find new targets for antibacterial drugs, according to a report in today's Nature journal.

Institute for Genomic Research: US, tel 3016380200; http://www.tigr.org/

INTERNATIONAL CAPITAL MARKETS

Europe firm on easing rate rise fears

GOVERNMENT BONDS

By Samer Iskandar in London and John Labate in New York

European bond markets had a positive session yesterday as fears of a monetary tightening by the Bundesbank receded. The rebound was also attributed to technical factors after recent falls.

GERMAN BUNDS, however, continued to underperform other markets as the D-Mark's weakness fuelled expectations that if a rate rise was not imminent, it would occur sooner or later.

In London the September bund future closed 0.33 higher at 102.04. The December euromark future closed 0.06 higher at 96.46, reflecting anticipations that three-month interest rates would rise roughly 25 basis points before the end of the year to around 3.5 per cent.

"With the dollar still rising, uncertainty [about interest rates] has become more intense," said economists at Bank of America in London. "Any data that provide economic justification for a tightening are likely to have a disproportionately large impact on sentiment."

However, immediate fears were eased by the release of statistics showing German unemployment had risen by a seasonally adjusted 17,000 in July compared with June.

"Higher German rates now would bear great risks for the still fragile growth recovery," said economists at UBS in Frankfurt. "Hence, we come to the conclusion that the Bundesbank should not raise rates any time soon."

UK GILTS reversed early losses to end the session slightly higher. The September long gilt future rose ¾ to close at 114$\frac{21}{32}$, after reaching a low of 114¼ in early trading.

In the cash market the 10-year yield spread of gilts over bunds was unchanged at 150 basis points.

Analysts said the market had priced in a 25 basis point rise in the base rate to 7 per cent after the two-day meeting of the Bank of England's monetary policy committee which ends today. "The UK economy can live with another monetary tightening," said Bank of America.

ITALIAN BTPs recovered from the previous day's weakness. In London, the September BTP future rose 0.57 to close at 135.72, while in the cash market the 10-year yield spread over bunds tightened 4 basis points to 100 points.

"For now, a virtuous circle has been established, with lower interest payments reducing the deficit," said IBCA, the European rating agency, in a country report on Italy. "A path of consistently falling debt appears to have been reached."

However, IBCA warned that the market's bullishness was based on expectations that Italy would be a founding member of European monetary union. "If Italy is not included in the first wave of Emu, then the markets may turn against it," the agency said.

SPANISH BONDS also ended higher. The September bond future rose 0.42 to close at 116.66, while in the cash market the 10-year yield spread tightened by 2 basis points to 65 points.

US TREASURIES strengthened in morning trading as investors prepared for the second of this week's three Treasury auctions.

By midday the benchmark 30-year bond had risen $\frac{5}{32}$ to 101$\frac{31}{32}$, yielding 6.472 per cent. The two-year note had edged $\frac{1}{32}$ higher to 99$\frac{25}{32}$, yielding 5.891 per cent, and the 10-year note had also gained $\frac{5}{32}$ to 102$\frac{15}{32}$, yielding 6.205 per cent.

With a lack of fresh economic news yesterday, investors focused on the afternoon's auction of $12bn in 10-year notes.

"There's a recovery from the very oversold levels we had after last week's sell-off," said Mr Richard Gilhooly, bond strategist at Paribas Capital Markets in New York. Investors were getting into the market prior to the auction in anticipation of price rises that could occur if demand is strong.

"There's a lot of uncertainty over how the 10-year will be received," said Mr David Ging, market strategist at Donaldson, Lufkin, & Jenrette. Since last Friday's sell-off, the 10-year note has not fallen much in value, suggesting to Mr Ging that there is good demand for the new issues.

Also helping to push prices higher in the morning was tha rebound in European bond markets.

BAA makes £175m convertible issue

INTERNATIONAL BONDS

By Krishna Guha

A lively day, by August's modest standards, saw a number of interesting issues in the sterling and dollar sectors, including a convertible offer from British Airports Authority.

BAA issued £175m of seven-year convertible bonds to help finance its acquisition of Duty Free International, which went unconditional at midnight on Tuesday. The cost of the acquisition is about £400m at prevailing exchange rates.

The coupon was "at the tight end" at 4⅞ per cent. UBS, joint lead with Schroders, said it was the first time a sterling convertible eurobond had been offered with a coupon of less than five per cent. The premium was set at the "upper-middle" end at 17 per cent.

The five per cent coupon barrier has looked vulnerable given low interest rates and low dividend yields on underlying stock. Dollar and DM convertibles offer less than 3 per cent.

There was strong buying from UK institutions, existing shareholders, and convertible specialists. The issue was also popular with Swiss retail investors, seeking a protected equity play, rather than yield, said UBS.

The **EXPORT CREDIT BANK OF TURKEY** issued $200m of three-year bonds in two tranches, one fixed rate and one floating, in place of the expected single tranche.

The floating-rate notes were priced at 275 basis points over six-month Libor; the fixed rate bonds at 300 points over Treasuries.

Splitting the issue was a last minute decision, according to Salomon Brothers, which ran the book. It said two distinct investor groups emerged from the roadshow.

Banks and money market funds asked for floating-rate notes, while retail European investors and some Korean banks sought fixed-rate paper. The issue was largely pre-placed.

Salomon said the bank, rated B1/B by Moody's and Standard & Poor's respectively, was constrained by the sovereign ceiling. The bank is state-owned, but not state-guaranteed. The bonds are priced to yield 50 basis points over the sovereign, and about 100 points under most Turkish banks.

THORN FINANCE issued its first bonds since tha Thorn–EMI demerger last August. The debut issue, £100m of 10-year paper, was priced to yield 90 basis points over benchmark gilts. HSBC Markets ran the book.

Mr Mike Trevor-Samuels, group treasurer at Thorn, said the proceeds had been swapped, and would be used as replacement funding.

He said the debt was "more expensive than bank debt" but had the "benefit of extra maturity". Thorn has now achieved its desired maturity profile, and further issues are not expected in the near future.

Thorn did not seek a rating before issuing tha bonds. Mr Trevor-Samuels said it *was "too early" in its independent life to do so.*

IMPERIAL CHEMICALS INDUSTRIES made its first floating-rate note issue in racent months, priced at Libor plus $\frac{1}{16}$ per cent. SBC Warburg, the book-runner, said the issue was made to satisfy demand for ICI paper from certain UK institutions.

UNIBANCO, Brazil's third largest private sector bank, issned $250m of three-year bonds, priced in New York to yield 175 basis points over *Treasuries*.

Book-runner Morgan Stanley said the issue would be more liquid than Unibanco's previous two-year and three-year deals. It sold to European retail and offshore Brazilian accounts, and US emerging markets funds.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Aegon	200	6.25	99.856R	Aug 2000	0.20R	+15(Wl 3yr)	ABN Amro Hoare Govett
Export Credit Bk of Turkey‡	100	(a)	99.355R	Aug 2000	0.50R	-	Salomon Brothers Intl
Export Credit Bk of Turkey	100	9.00#	99.85R	Aug 2000	0.50R	+300(6Aug00)	Salomon Brothers Intl
■ STERLING							
BAA(b,l)§	175	4.875#	100.00	Sep 2004	2.00	-	UBS
BT Securities Corp‡	125	(c)	99.95R	Aug 1999	0.10R	-	SBC Warburg
Thorn Finance	100	8.00	99.23R	Sep 2007	0.375R	+90(7¼Dec07)	HSBC Markets
ICI‡	100	(d)	100.00	Feb 1999	0.10	-	SBC Warburg
■ CANADIAN DOLLARS							
Bayerische Hypo(s)	100	5.25	99.02R	Dec 2001	0.20R	+11(7¾Sep01)	TD Securities
■ ITALIAN LIRE							
European Inv'ment Bank(e)	200bn	6.20	102.202	Mar 2002	1.75	-	IMI Bank Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +250bp. b) Conversion price: 672p. Callable from 29/9/00, with 2 yrs of 130% protection, at par. Greenshoe: £25m. c) 3-mth Libor flat. d) 3-mth Libor +$\frac{1}{16}$%. e) Fungible with L900bn. Plus 185 days accrued. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Turnover on AEX overtakes Matif

Options and futures turnover on Amsterdam Exchanges (AEX), the Netherlands' recently merged equity and derivatives markets, has already surpassed last year's total, according to figures due to be released today. The former European Options Exchange, Europe's oldest such market, usually ranks behind Liffe in London, Frankfurt's Deutsche Terminbörse, and the Paris Matif, which all have much larger volumes in futures. But for July alone AEX pushed Matif into fourth place, as a surge in the underlying Dutch stock market generated strong business in equity options, its most active sector.

Some 1.9m contracts changed hands last month in options on shares in ABN Amro Bank, more than in IBM or Microsoft on US markets and narrowly beaten only by options on Intel. "ABN Amro is the most liquid contract in Europe," said Mr George Möller, AEX chairman. He argued that the latest figures showed his exchange was the fastest-growing derivatives market in Europe this year, rather than the DTB as had been claimed.

Options turnover reached 27.68m contracts in the first seven months, just behind the DTB's leading position with 27.90m. But adding in futures brings the AEX turnover total only to 29.08m – behind Matif and less than half the level of the DTB, though dwarfed by Liffe's 119.36m.

The AEX remained domestically-based and driven by retail demand, Mr Möller acknowledged. But volume in its two international products was also growing. On its DEX foreign exchange contract, "we have had days when we were not far away from *Philadelphia*" in the volume of dollar/European currency options trading. Daily turnover in this guilder contract has also been averaging two to four times that of a similar D-Mark product in Frankfurt.

Earlier this year the AEX agreed with FTSE International on joint development of its Eurotop equity indices, where it had been unable alone to attract significant derivatives interest. A Eurotop 100 contract is now traded on Nymex in the US. "It's still peanuts, but it was one peanut and now it's two," said Mr Möller.

Gordon Cramb, Amsterdam

■ EQUITY INVESTMENT

Egypt fund oversubscribed

The first offshore private equity fund set up to invest in Egypt has closed oversubscribed, its managers said yesterday. The Horus Private Equity Fund – named after the ancient god of Lower Egypt – attracted subscriptions of $54m, 80 per cent more than its target of $30m.

Unlike existing Egyptian and offshore funds, Horus will *invest primarily in unlisted, private companies*. It also plans to buy stakes in public sector companies due to be privatised. It will be managed by its general partner, a limited partnership based in the Cayman Islands, whose shareholders include Bullion, a Cypriot offshore financial services company, EFG-Hermes, a leading Egyptian investment bank and HIG Investment, a US private equity investment firm. *Samer Iskandar, London*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	128.5303	+0.510	6.41	6.44	7.12
Austria		5.625	07/07	99.1500	+0.210	5.74	5.56	5.83
Belgium		6.250	03/07	103.6400	+0.460	5.74	5.59	5.78
Canada *		7.250	06/07	109.3900	-0.260	5.97	5.81	5.27
Denmark		7.000	06/07	105.5500	+0.160	6.25	5.97	6.31
France	BTAN	4.750	03/02	99.8118	+0.200	4.79	4.60	4.53
	OAT	5.500	10/07	99.1500	+0.320	5.61	5.41	5.55
Germany Bund		6.000	07/07	102.4200	+0.290	5.67	5.50	5.67
Ireland		8.000	08/06	110.5200	+0.320	6.43	6.26	6.51
Italy		8.750	02/07	101.1900	+0.620	6.58†	6.33	8.76
Japan	No 148	5.600	06/02	119.3940	+0.220	1.46	1.44	1.68
	No 182	3.000	09/05	106.2581	-0.310	2.18	2.13	2.37
Netherlands		5.750	02/07	101.0200	+0.330	5.60	5.44	5.56
Portugal		8.500	02/06	120.8000	+0.210	8.27	6.08	8.25
Spain		7.350	03/07	107.1300	+0.430	6.32	6.11	8.34
Sweden		8.000	08/07	110.4008	+0.150	6.56	6.39	6.62
UK Gilts		7.000	06/02	99-26	+7/32	7.04	8.97	7.03
		7.250	12/07	101-14	+10/32	7.05	6.89	7.03
		8.000	10/08	114-23	+12/32	7.07	8.93	7.08
US Treasury *		6.625	05/07	102-31	+2/32	6.21	6.05	6.46
		6.625	02/27	101-31	+6/32	8.47	8.33	6.75
ECU (French Govt)		5.500	04/07	96.9400	+0.550	5.92	5.76	5.82

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.93
Prime rate	8½	Two month	-	Three year	6.04
Broker loan rate	7¼	Three month	5.29	Five year	6.12
Fed.funds	5$\frac{7}{16}$	Six month	5.42	10-year	6.24
Fed.funds at intervention	-	One year	5.53	30-year	6.49

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.20	129.48	+0.28	129.48	128.96	165,737	171,273
Dec	98.18	98.42	+0.24	98.36	98.00	4,135	11,452
Mar	97.58	87.82	+0.24	97.58	97.58	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	2.53	-	-	0.06	-	-
128	1.63	-	-	0.18	-	-
129	0.86	-	-	0.38	-	-
130	0.34	-	-	0.86	-	-
131	0.09	-	-	1.51	-	-

Est. vol. total, Calls 18,607 Puts 29,236. Previous day's open int., Calls 73,913 Puts 108,242.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.65	102.04	+0.33	102.12	101.50	221049	264982
Dec	100.80	101.20	+0.33	101.20	100.75	1387	14468

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
10200	0.47	0.43	0.62	0.77	0.43	1.23	1.42	1.57
10250	0.24	0.28	0.44	0.60	0.70	1.58	1.74	1.90
10300	0.11	0.17	0.31	0.44	1.07	1.97	2.11	2.24

Est. vol. total, Calls 24683 Puts 28141. Previous day's open int., Calls 171101 Puts 253061

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	134.95	135.72	+0.57	135.83	134.73	75699	101849
Dec	107.60	107.97	+0.53	107.92	107.60	959	3939

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
8000		27.97		0
8050		27.47		0
8100		26.97		0

Est. vol. total, Calls 5634 Puts 10451. Previous day's open int., Calls 99035 Puts 127756

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.20	118.66	+0.43	116.67	116.08	93,147	78,216
Dec	100.30	100.64	+0.03	100.30	100.30	63	1,050

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-07	114-21	+0-12	114-25	114-04	68621	173575
Dec	113-30	114-09	+0-12	114-05	113-30	720	9457

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
114	1-01	1-18	1-34	1-50	0-23	1-00	1-16	1-32
115	0-30	0-51	1-04	1-19	0-52	1-33	1-50	2-01
118	0-11	0-29	0-45	0-57	1-33	2-11	2-27	2-39

Est. vol. total, Calls 2601 Puts 6475. Previous day's open int., Calls 44065 Puts 38901

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.28	96.44	+0.25	96.45	95.98	1,543	8,484

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	114-19	114-21	+0-02	114-20	114-10	324,138	522,189
Dec	114-04	114-07	-0-01	114-08	114-00	7,425	48,628
Mar	-	113-31	+0-01	-	113-22	200	31,667

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	126.12	-	-	126.12	126.02	2323	n/a
Dec	125.44	-	-	125.44	125.41	550	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Aug 6	Day's change %	Tue Aug 5	Accrued interest	xd adj. ytd		Low coupon yield Aug 6	Aug 5	Yr. ago	Medium coupon yield Aug 6	Aug 5	Yr. ago	High coupon yield Aug 6	Aug 5	Yr. ago
1 Up to 5 years (20)	118.70	0.12	118.56	2.43	6.38	5 yrs	7.05	7.10	7.24	7.13	7.18	7.30	7.18	7.23	7.39
2 5-15 years (21)	152.67	0.30	152.22	2.43	7.01	15 yrs	7.04	7.08	8.06	7.06	7.10	8.08	7.14	7.18	6.16
3 Over 15 years (5)	182.99	0.36	182.32	7.54	5.80	20 yrs	7.04	7.08	8.18	7.02	7.06	8.16	7.12	7.16	8.24
4 Irredeemables (5)	212.88	0.55	211.72	2.65	8.36	Irred.†	7.09	7.14	8.27						
5 All stocks (51)	147.40	0.25	147.04	3.30	8.70										

Index-linked							Inflation 5% Aug 6	Aug 5	Yr. ago	Inflation 10% Aug 6	Aug 5	Yr. ago
6 Up to 5 years (2)	206.23	0.11	206.01	2.12	3.03	Up to 5 yrs	3.70	3.72	2.56	3.04	3.07	0.98
7 Over 5 years (10)	200.01	0.17	199.68	1.33	3.96	Over 5 yrs	3.57	3.59	3.76	3.38	3.39	3.56
8 All stocks (12)	199.59	0.18	199.27	1.40	3.85							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 6	Aug 5	Aug 4	Aug 1	Jul 31	Yr ago	High*	Low*
Govt. Secs. (UK)	96.84	96.75	97.01	97.26	97.63	93.5	97.88	93.31
Fixed Interest	125.35	125.57	125.90	126.30	126.60	113.2	126.68	115.32

Gilt Edged Activity Indices

	Aug 5	Aug 4	Aug 1	Jul 31	Jul 30
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 6

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 05	1000	100⅛	100⅝		6.41
Spain 7¼ 05	4000	110⅛	110⅛	+¼	5.11
Volkswagen Intl Fin 7 05	1000	107¾	108⅛	+⅛	5.40
Abbey Natl Treasury 8 03 £	1000	101⅞	102⅛	+⅛	7.57
British Land 8⅞ 23 £	150	107⅜	107¾	+¼	8.35
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		7.00	-	100xd	-	101$\frac{1}{16}$	100
Treas 8¾pc 1997‡‡		8.74	8.60	100$\frac{3}{32}$	-	107$\frac{15}{32}$	100$\frac{3}{16}$
Exch 15pc 1997		14.75	6.63	101$\frac{23}{32}$	-$\frac{1}{32}$	110½	101$\frac{25}{32}$
Exch 9¾pc 1998		9.64	6.99	101$\frac{3}{16}$	-	104$\frac{11}{32}$	100½
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Funding 3½pc 1999-4		4.05	5.94	86$\frac{11}{32}$	+¼	87$\frac{3}{16}$	81$\frac{1}{16}$
Conv 9½pc 2004		8.39	7.11	113$\frac{5}{16}$	+$\frac{3}{16}$	114$\frac{15}{32}$	109$\frac{15}{16}$
Treas 6¾pc 2004‡‡		6.88	7.07	98$\frac{3}{16}$	+$\frac{3}{32}$	99$\frac{1}{16}$	94$\frac{3}{16}$
Conv 9½pc 2005		8.35	7.13	113$\frac{13}{16}$	+$\frac{3}{16}$	122$\frac{23}{32}$	110$\frac{1}{16}$
Exch 10½pc 2005		8.72	7.13	120$\frac{15}{32}$	+$\frac{3}{16}$	121$\frac{15}{32}$	117$\frac{3}{16}$
[illegible]							

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅜pc '98‡‡	(135.6)	-	2.46	114$\frac{13}{32}$	+$\frac{1}{32}$	114$\frac{13}{32}$	113$\frac{11}{32}$
2½pc '99		2.15	3.29	187$\frac{7}{16}$	+$\frac{3}{16}$	182$\frac{1}{16}$	179$\frac{3}{16}$
2½pc '01	(78.3)	2.04	3.70	186$\frac{15}{32}$	+$\frac{3}{16}$	187$\frac{11}{32}$	181$\frac{15}{32}$
2½pc '03	(78.8)	3.19	3.65	183$\frac{7}{32}$	+¼	184$\frac{3}{16}$	177$\frac{3}{16}$
[illegible]							

Other Fixed Interest

[illegible]							

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ◆ Indicative price.

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CURRENCIES AND MONEY

Rate rumour sends sterling down

MARKETS REPORT

By Richard Adams

A buoyant US dollar and receding expectations of another UK rate rise sent sterling plunging in foreign exchange trading yesterday.

The pound fell by 2.73 cents against the dollar, dipping to around $1.59 – its lowest level for five months – before staging a slight recovery towards the end of trading in London, to $1.601.

Against the D-Mark, sterling slipped by well over five pfennigs, to close the day at DM3.001.

The pound started falling during morning trading in London, as market participants changed their mood over the chances of the Bank of England's monetary policy committee raising interest rates again today.

With only low volumes of sterling on offer during early trading in London, the pound quickly fell against the US and German currencies. The pound's rapid fall against the dollar below $1.6250 triggered stop-loss orders, sending it down below the $1.60 level.

In early trading in New York, sterling climbed back over DM3.01. The dollar was hit by a heavy bout of profit-taking against the D-Mark, shedding nearly two pfennigs below a fresh 94-month peak against the mark.

But earlier in Europe, the dollar had displayed strength across the board. Against the D-Mark it rose as high as DM1.8913, its strongest since October 1989. But it later fell away to close at DM1.875, weaker than its previous close of DM1.8790.

■ The dollar failed to hold on to overnight gains against the yen, amid concerns that a rise above Y120 will increase trade friction and attract central bank intervention.

The dollar was little changed against the yen at Y118.9, down by Y0.2 and off its overnight peak of Y119.58.

Expectations that Japanese interest rates would stay at record lows were reinforced after Mr Takeshi Komura, the Japanese deputy finance minister, said the low interest-rate policy the Bank of Japan was following still had some positive economic effects.

■ The pound's gyrations came as something of a surprise, given that sterling tends to shadow the dollar upwards or downwards.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "Normally, a strong dollar tends to drag up sterling, but a rumour went round the market the Bank was not raising interest rates, and that led to selling sterling."

Mr Hawkins said the market was split over the possible rate move, with a "significant minority" now expecting no change.

Mr Jonathan Loynes, UK economist at HSBC Markets in London, said lower expectations of a rise in interest rates today explained only part of sterling's violent down-turn against the dollar and the D-Mark.

"A lot of the movement is down to the fact that volumes are quite thin at the moment," Mr Loynes said.

The changing view on interest rates acted as a catalyst for the fall, which was then exaggerated by stops selling.

On the Bank of England's trade-weighted index, sterling ended at 103.9, down from 105.7 on Tuesday.

HSBC is predicting that the Bank's monetary policy committee, which announces its decision at noon today, will raise base rates by a further 0.25 per cent. That would be the fourth interest rate rise in successive months, and would bring the level to 7.0 per cent.

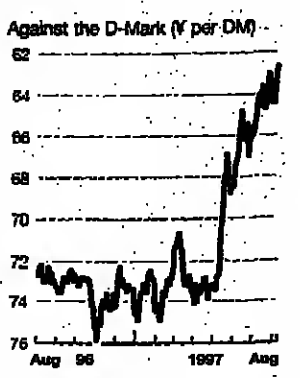
■ Trading in short sterling interest rate futures contracts, traded on the London international financial futures and options exchange, followed the same pattern as sterling. The September contract rose three basis points to 92.72, while the December contract gained five to settle at 92.55.

■ Mr Brian Marber, the independent technical analyst, said sterling's rapid fall came after the failure during July for the currency to test the December 1977 peak of $1.7015, only coming as close as $1.6938.

He predicted that a close below $1.6280 would lead to a fall – which is what happened yesterday. The break could go as low as $1.5877, and a close below that figure could see sterling drop all the way to $1.48.

Yen

Against the D-Mark (Y per DM)



Source: Datastream/ICV

■ **Pound in New York**

Aug 6	- Latest -	- Prev. close -
£ spot	1.6030	1.6245
1 mth	1.6011	1.6228
3 mth	1.5972	1.6187
1 yr	1.5810	1.6013

■ **OTHER CURRENCIES**

Aug 6	£	$
Czech Rp	55.4320 - 55.5499	34.6320 - 34.6840
Hungary	319.384 - 319.663	199.540 - 199.590
Iran	4804.80 - 4801.80	3000.00 - 3000.00
Kuwait	0.4891 - 0.4896	0.3056 - 0.3057
Poland	5.6037 - 5.6120	3.5010 - 3.5040
Russia	9293.08 - 9300.49	5806.00 - 5807.00
U.A.E.	5.8788 - 5.8828	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.1180	-0.3979	055 - 304	21.4936	21.1044	21.0636	3.1	20.9509	3.2	20.4454	3.2	101.6
Belgium	(BFr)	61.9786	-1.163	352 - 220	63.0810	61.9110	61.7986	3.5	61.4286	3.5	59.6786	3.7	100.8
Denmark	(DKr)	11.4316	-0.2235	264 - 367	11.6447	11.4170	11.4001	3.3	11.3361	3.3	11.0448	3.4	102.8
Finland	(FM)	8.9436	-0.1598	370 - 505	9.0980	8.9350	8.9184	3.4	8.8659	3.5	8.6533	3.2	80.6
France	(FFr)	10.1310	-0.1913	260 - 360	10.3135	10.1201	10.098	3.9	10.041	3.6	9.7655	3.6	103.2
Germany	(DM)	3.0012	-0.0565	995 - 028	3.0564	2.9985	2.9918	3.7	2.9728	3.8	2.8859	3.8	101.4
Greece	(Dr)	468.722	-8.124	352 - 093	478.452	468.109	470.505	-4.6	473.129	-3.8	481.497	-2.7	65.2
Ireland	(I£)	1.1161	-0.0183	144 - 177	1.1329	1.1137	1.1156	0.5	1.1142	0.7	1.1034	1.1	98.5
Italy	(L)	2941.66	-49.8	014 - 358	2988.20	2936.92	2941.94	0.0	2941.91	0.0	2939.31	0.1	75.0
Luxembourg	(LFr)	61.9786	-1.163	352 - 220	63.0810	61.9010	61.7986	3.5	61.4286	3.5	59.6786	3.7	100.8
Netherlands	(Fl)	3.3808	-0.0625	790 - 826	3.4408	3.3786	3.3706	3.6	3.3497	3.7	3.2537	3.8	100.1
Norway	(NKr)	12.3538	-0.2584	451 - 624	12.5977	12.3040	12.3213	3.2	12.2603	3.0	11.9913	2.9	96.0
Portugal	(Es)	304.209	-4.776	034 - 384	309.175	303.826	304.053	0.6	303.523	0.9	299.435	1.6	91.6
Spain	(Pta)	253.830	-4.658	695 - 966	258.200	253.570	253.515	1.5	252.765	1.7	248.395	2.1	76.1
Sweden	(SKr)	12.9030	-0.2332	949 - 110	13.1195	12.8743	12.8755	2.6	12.817	2.7	12.5605	2.7	85.6
Switzerland	(SFr)	2.4477	-0.0479	462 - 492	2.4944	2.4429	2.4368	5.4	2.4142	5.5	2.314	5.5	105.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.9
Ecu	-	1.5243	-0.0244	229 - 256	1.5470	1.5223	1.521	2.6	1.5138	2.7	1.4798	2.9	-
SDR†	-	1.215702	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6008	-0.0263	003 - 013	1.6247	1.5915	-	-	-	-	-	-	-
Brazil	(R$)	1.7357	-0.0283	351 - 363	1.7813	1.7257	-	-	-	-	-	-	-
Canada	(C$)	2.2157	-0.0313	145 - 168	2.2443	2.1989	2.2088	3.7	2.1952	3.7	2.1443	3.2	85.2
Mexico	(New Peso)	12.4534	-0.2473	415 - 653	12.6734	12.4037	-	-	-	-	-	-	-
USA	($)	1.6011	-0.0263	006 - 016	1.6250	1.5918	1.5991	1.5	1.5952	1.5	1.5776	1.5	106.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1788	-0.0211	774 - 802	2.2088	2.1646	2.1751	2.0	2.1667	2.2	2.1298	2.2	93.6
Hong Kong	(HK$)	12.3945	-0.202	898 - 991	12.5791	12.3237	12.3935	0.1	12.3871	0.2	12.332	0.5	-
India	(Rs)	57.1833	-0.9326	254 - 412	58.0560	56.8700	57.3785	-4.1	57.7791	-4.2	59.4588	-4.0	-
Israel	(Shk)	5.6583	-0.1203	493 - 682	5.7639	5.6466	-	-	-	-	-	-	-
Japan	(Y)	190.271	-3.479	231 - 510	194.160	189.810	189.351	6.4	187.326	6.4	178.341	6.3	131.8
Malaysia	(M$)	4.2237	-0.0768	200 - 274	4.2911	4.1997	4.2279	-1.2	4.2359	-1.2	4.2546	-0.7	-
New Zealand	(NZ$)	2.5027	-0.019	009 - 045	2.5289	2.4886	2.5059	-1.5	2.5087	-1.1	2.5103	-0.3	108.5
Philippines	(Peso)	45.5513	-1.154	570 - 456	46.7989	45.4375	45.7111	-4.2	45.9606	-3.6	47.0175	-3.2	-
Saudi Arabia	(SR)	6.0046	-0.0987	026 - 066	6.0944	5.9897	6.0011	0.7	5.9927	0.8	5.9562	0.8	-
Singapore	(S$)	2.3569	-0.0378	553 - 584	2.3935	2.3463	2.3523	2.4	2.3422	2.5	2.294	2.7	-
South Africa	(R)	7.4880	-0.0887	796 - 923	7.5660	7.4612	7.5467	-9.7	7.6646	-9.5	8.1015	-8.2	-
South Korea	(Won)	1430.58	-18.98	693 - 423	1450.68	1421.96	-	-	-	-	-	-	-
Taiwan	(T$)	45.8718	-0.7061	772 - 659	46.5465	45.6289	45.855	0.4	45.8152	0.5	45.6176	0.6	-
Thailand	(Bt)	50.5548	-1.276	189 - 906	51.4670	49.3750	50.8914	-8.0	51.353	-6.3	52.3832	-3.6	-

† Rates for Aug 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	13.1897	-0.0318	860 - 933	13.3020	13.1850	13.1657	2.2	13.1167	2.2	12.8927	2.3	101.1
Belgium	(BFr)	38.7100	-0.09	950 - 250	39.0200	38.6500	38.635	2.3	38.4835	2.3	37.79	2.4	100.7
Denmark	(DKr)	7.1398	-0.0222	388 - 408	7.2045	7.1363	7.1261	2.0	7.1038	2.0	6.9974	2.0	101.9
Finland	(FM)	5.5860	-0.0081	835 - 885	5.6276	5.5831	5.5745	2.5	5.5509	2.5	5.457	2.3	79.7
France	(FFr)	6.3276	-0.0154	264 - 287	6.3602	6.3250	6.3161	2.2	6.2923	2.2	6.1834	2.3	102.3
Germany	(DM)	1.8745	-0.0045	740 - 749	1.8913	1.8730	1.8707	2.5	1.8629	2.5	1.8279	2.5	100.8
Greece	(Dr)	292.750	-0.27	610 - 890	295.110	292.580	294.045	-5.3	296.1	-4.6	303.25	-3.6	64.8
Ireland	(I£)	1.4346	-	329 - 363	1.4370	1.4171	1.4339	0.6	1.4329	0.5	1.4333	0.1	-
Italy	(L)	1837.40	-0.35	690 - 790	1849.80	1836.60	1839.17	-1.2	1842.18	-1.0	1845.6	-0.4	74.8
Luxembourg	(LFr)	38.7100	-0.09	950 - 250	39.0200	38.6600	38.635	2.3	38.4835	2.3	37.79	2.4	100.7
Netherlands	(Fl)	2.1115	-0.0044	110 - 120	2.1300	2.0980	2.1073	2.4	2.0987	2.4	2.061	2.4	99.9
Norway	(NKr)	7.7158	-0.0344	128 - 188	7.7922	7.7020	7.7013	2.2	7.6729	2.2	7.5612	2.0	94.9
Portugal	(Es)	190.000	+0.13	950 - 050	191.250	189.850	189.964	0.2	189.91	0.2	188.74	0.7	92.0
Spain	(Pta)	158.535	-0.305	500 - 570	159.790	158.450	158.49	0.3	158.315	0.6	157.14	0.9	75.5
Sweden	(SKr)	8.0588	-0.0134	563 - 613	8.1144	8.0535	8.0497	1.3	8.0304	1.4	7.9564	1.3	84.9
Switzerland	(SFr)	1.5288	-0.0047	283 - 292	1.5387	1.5280	1.5234	4.2	1.5128	4.2	1.4873	4.0	105.1
UK	(£)	1.6011	-0.0263	006 - 016	1.6250	1.5918	1.5991	1.5	1.5952	1.5	1.5776	1.5	105.3
Ecu	-	1.0504	-0.0004	498 - 510	1.0513	1.0429	1.0519	-1.7	1.0551	-1.8	1.0706	-1.9	-
SDR†	-	0.74196	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 998	0.9998	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0841	+0.0001	840 - 841	1.0842	1.0840	-	-	-	-	-	-	-
Canada	(C$)	1.3839	+0.0031	836 - 841	1.3842	1.3807	1.3807	2.7	1.375	2.6	1.3544	2.1	85.3
Mexico	(New Peso)	7.7780	-0.0265	730 - 830	7.7840	7.7720	7.8865	-16.7	8.0975	-16.4	9.008	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3608	-0.009	604 - 613	1.3615	1.3593	1.3602	0.5	1.3584	0.7	1.35	0.8	95.9
Hong Kong	(HK$)	7.7412	-0.0007	407 - 417	7.7418	7.7395	7.7417	-0.1	7.7426	-0.1	7.7449	0.0	-
India	(Rs)	35.7150	-0.003	900 - 400	35.7450	35.6870	35.8525	-4.6	36.1375	-4.7	37.35	-4.6	-
Israel	(Shk)	3.5346	-0.0169	295 - 397	3.5502	3.5271	-	-	-	-	-	-	-
Japan	(Y)	118.900	-0.22	850 - 950	119.580	118.750	118.385	5.2	117.385	5.1	113.085	4.9	132.8
Malaysia	(M$)	2.6380	-0.0045	365 - 395	2.6422	2.6300	2.6425	-2.0	2.6515	-2.0	2.6815	-1.6	-
New Zealand	(NZ$)	1.5631	-0.0136	625 - 637	1.5640	1.5562	1.5639	-0.6	1.5663	-0.8	1.5764	-0.8	-
Philippines	(Peso)	28.4580	-0.25	000 - 000	29.4000	28.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	502 - 504	3.7506	3.7501	3.751	-0.2	3.752	-0.2	3.7567	-0.2	-
Singapore	(S$)	1.4720	-0.0005	715 - 725	1.4752	1.4690	1.4703	1.4	1.4665	1.5	1.447	1.7	-
South Africa	(R)	4.6755	-0.024	730 - 780	4.6810	4.6530	4.718	-10.4	4.7955	-10.3	5.098	-9.0	-
South Korea	(Won)	893.500	+2.75	500 - 500	895.600	890.200	-	-	-	-	-	-	-
Taiwan	(T$)	28.6500	-0.027	000 - 000	28.7550	28.5900	28.661	-0.5	28.67	-0.3	28.7625	-0.4	-
Thailand	(Bt)	31.5750	-0.275	000 - 500	31.9000	30.8000	32.02	-18.9	32.725	-14.6	33.955	-7.5	-

† SDR rate per $ for Aug 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 5: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 6	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 1/2	3 5/8	3 21/32	3 23/32	3 3/4	6.00	2.50	-
France	3 1/4	3 3/8	3 15/32	3 17/32	3 11/16	3.10	-	4.75
Germany	3 1/4	3 1/4	3 5/16	3 3/8	3 1/2	4.50	2.50	3.00
Ireland	6 1/4	6 1/4	6 3/8	6 3/8	6 1/4	-	-	6.75
Italy	6 7/8	6 23/32	6 21/32	6 5/8	6 17/32	7.75	6.25	6.27
Netherlands	3 1/4	3 1/4	3 11/32	3 3/8	3 5/8	-	2.50	2.90
Switzerland	1 1/4	1 3/8	1 1/2	1 5/8	1 13/16	-	1.00	-
US	5 1/2	5 5/8	5 23/32	5 25/32	5 29/32	-	5.00	-
Japan	1/2	17/32	1/2	17/32	5/8	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 5/8	5 23/32	5 25/32	6 1/32	-	-	-
US Dollar CDs	-	5.39	5.44	5.54	5.74	-	-	-
ECU Linked Ds	-	4 3/8	4 7/16	4 1/2	4 9/16	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 23/32	3 27/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/8	3 1/2 - 3 13/32	3 5/8 - 3 1/2	3 5/8 - 3 19/32	3 21/32 - 3 5/8	3 13/16 - 3 11/16
Danish Krone	3 13/32 - 3 5/16	3 15/32 - 3 7/16	3 15/32 - 3 7/16	3 21/32 - 3 1/2	3 13/16 - 3 21/32	4 1/16 - 3 15/16
German Mark	3 3/16 - 2 15/16	3 5/16 - 3 1/16	3 1/8 - 3 1/8	3 9/32 - 3 1/4	3 13/32 - 3 3/8	3 5/8 - 3 1/2
Dutch Guilder	3 5/16 - 3 3/16	3 11/32 - 3 5/32	3 7/16 - 3 5/16	3 15/32 - 3 11/32	3 5/16 - 3 7/16	3 3/4 - 3 1/2
French Franc	3 5/32 - 3 5/16	3 7/16 - 3 5/16	3 1/16 - 3 7/32	3 15/32 - 3 3/8	3 19/32 - 3 1/2	3 25/32 - 3 21/32
Portuguese Esc.	5 27/32 - 5 21/32	5 15/16 - 5 21/32	5 23/32 - 5 5/8	5 21/32 - 5 9/16	5 5/8 - 5 3/8	5 3/8 - 5 11/32
Spanish Peseta	5 13/32 - 5 1/4	5 13/32 - 5 1/4	5 13/32 - 5 9/32	5 3/8 - 5 7/32	5 11/32 - 5 3/16	5 1/4 - 5 3/16
Sterling	6 7/16 - 6 3/16	6 13/16 - 6 13/16	7 1/16 - 6 15/16	7 7/32 - 7 3/32	7 13/32 - 7 9/32	7 15/32 - 7 13/32
Swiss Franc	1 7/16 - 1 1/16	1 1/4 - 1	1 1/2 - 1 13/32	1 15/32 - 1 13/32	1 21/32 - 1 9/16	1 29/32 - 1 27/32
Canadian Dollar	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 1/2 - 3 3/8	3 21/32 - 3 17/32	3 31/32 - 3 27/32	4 13/32 - 4 11/32
US Dollar	5 5/16 - 5 3/16	5 19/32 - 5 15/32	5 19/32 - 5 1/2	5 11/16 - 5 21/32	5 25/32 - 5 3/4	6 1/32 - 5 7/8
Italian Lira	7 7/16 - 6 7/16	6 23/32 - 6 19/32	6 23/32 - 6 19/32	6 7/8 - 6 23/32	6 19/32 - 6 15/32	6 19/32 - 6 1/2
Japanese Yen	1/2 - 15/32	17/32 - 1/2	9/16 - 17/32	9/16 - 15/32	19/32 - 15/32	3/4 - 5/8
Asian $Sing	1 1/4 - 1	3 1/4 - 3	3 5/8 - 3 1/2	3 3/4 - 3 5/8	3 13/16 - 3 11/16	4 - 3 7/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.39	96.43	+0.04	96.44	96.35	30,369	75,438
Dec	96.20	96.27	+0.06	96.29	96.14	30,058	37,150
Mar	96.08	96.16	+0.07	96.20	96.04	287	29,444

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.61	96.64	+0.04	96.64	96.58	35163	263028
Dec	96.40	96.47	+0.07	96.48	96.38	52651	308595
Mar	96.24	96.34	+0.09	96.36	96.23	62686	261548
Jun	96.04	96.14	+0.10	96.16	96.02	60709	197345

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug	-	96.78	+0.01	-	-	0	540
Sep	-	96.72	+0.01	-	-	0	348
Oct	-	96.67	+0.01	-	-	0	290
Nov	-	96.64	+0.01	-	-	0	60

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.18	93.21	+0.01	93.22	93.16	16002	110298
Dec	93.50	93.57	+0.05	93.58	93.48	15360	90454
Mar	93.76	93.86	+0.08	93.86	93.73	7959	52135
Jun	93.98	94.08	+0.08	94.09	93.96	5398	41025

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.37	98.43	+0.06	98.46	98.35	9055	60625
Dec	98.18	98.23	+0.08	98.25	98.12	11223	48131
Mar	98.03	98.10	+0.07	98.12	97.98	5554	22003
Jun	97.86	97.94	+0.07	97.94	97.83	1590	7013

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	99.37	+0.01	-	-	0	n/a
Dec	-	99.29	-0.01	-	-	0	n/a
Mar	-	99.16	-0.01	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.52	95.60	+0.06	95.59	95.49	694	10739
Dec	95.46	95.55	+0.05	95.55	95.46	534	8846
Mar	95.42	95.53	+0.07	95.52	95.42	273	6081
Jun	95.39	95.43	+0.06	95.40	95.39	39	3430

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.25	0.64	0.95	0.04	0.07	0.09
9325	0.08	0.43	0.74	0.13	0.11	0.13
9350	0.02	0.27	0.55	0.31	0.20	0.18

Est. vol. total, Calls 2175 Puts 1100. Previous day's open int., Calls 129840 Puts 63950

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.35	4.842	1.801	4747	5.455	18.93	490.8	409.5	20.82	3.949	1.613	3.575	2.583	307.2	2.459
Denmark	(DKr)	54.22	10	8.862	2.625	0.978	2573	2.957	10.81	266.1	222.0	11.29	2.141	0.875	1.938	1.401	166.5	1.333
France	(FFr)	61.18	11.28	10	2.962	1.102	2904	3.337	12.19	300.3	250.3	12.74	2.416	0.987	2.187	1.580	187.9	1.505
Germany	(DM)	20.65	3.808	3.376	1	0.372	980.2	1.126	4.118	101.4	84.57	4.299	0.818	0.333	0.738	0.533	63.43	0.508
Ireland	(I£)	55.53	10.24	9.078	2.689	1	2636	3.029	11.07	272.8	227.4	11.56	2.193	0.896	1.985	1.435	170.6	1.366
Italy	(L)	2.107	0.389	0.344	0.102	0.038	100	0.113	0.420	10.34	8.628	0.439	0.083	0.034	0.075	0.054	6.471	0.052
Netherlands	(Fl)	18.33	3.381	2.997	0.888	0.330	870.2	1	3.654	89.96	75.08	3.817	0.724	0.296	0.655	0.474	56.31	0.451
Norway	(NKr)	50.17	9.253	8.201	2.429	0.903	2381	2.737	10	246.2	205.5	10.44	1.981	0.809	1.794	1.296	154.1	1.234
Portugal	(Es)	20.37	3.758	3.330	0.987	0.367	967.1	1.111	4.061	100	83.44	4.241	0.805	0.329	0.728	0.526	62.58	0.501
Spain	(Pta)	24.42	4.504	3.991	1.182	0.440	1159	1.332	4.867	119.8	100	5.083	0.964	0.394	0.873	0.631	75.00	0.601
Sweden	(SKr)	48.03	8.860	7.852	2.326	0.865	2280	2.620	9.574	235.8	196.7	10	1.897	0.775	1.717	1.241	147.5	1.181
Switzerland	(SFr)	25.32	4.670	4.139	1.226	0.456	1202	1.381	5.047	124.3	103.7	5.271	1	0.409	0.905	0.654	77.77	0.623
UK	(£)	61.98	11.43	10.13	3.001	1.116	2942	3.381	12.35	304.2	253.8	12.90	2.448	1	2.216	1.601	190.4	1.524
Canada	(C$)	27.97	5.159	4.572	1.355	0.504	1328	1.526	5.575	137.3	114.6	5.823	1.105	0.451	1	0.723	85.92	0.688
USA	($)	38.71	7.140	6.328	1.875	0.697	1837	2.112	7.718	190.0	158.5	8.059	1.529	0.625	1.384	1	118.8	0.952
Japan	(Y)	32.56	6.005	5.322	1.577	0.586	1545	1.776	6.489	159.8	133.3	6.778	1.286	0.525	1.164	0.841	100	0.801
Ecu	-	40.66	7.500	6.647	1.969	0.732	1930	2.218	8.105	199.6	166.5	8.465	1.606	0.656	1.454	1.050	124.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5335	0.5320	-0.0018	0.5341	0.5303	30,528	130,018
Dec	0.5367	0.5347	-0.0020	0.5367	0.5343	213	3,208
Mar	-	0.5375	-0.0021	-	0.5375	133	675

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8432	0.8422	+0.0006	0.8454	0.8406	23,055	79,632
Dec	0.8519	0.8532	-0.0008	0.8527	0.8519	112	1,985
Mar	-	0.8654	-	-	-	8	413

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6547	0.6557	+0.0005	0.6560	0.6529	11,905	62,071
Dec	0.6602	0.6624	+0.0005	0.6624	0.6602	124	2,225
Mar	-	0.6684	-0.0002	-	0.6675	158	1,059

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6218	1.5946	-0.0262	1.6230	1.5894	6,396	48,528
Dec	1.5870	1.5850	+0.0298	1.5900	1.5850	44	872
Mar	-	1.5810	-0.280	-	1.5800	4	209

UK INTEREST RATES

LONDON MONEY RATES

Aug 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 7/8 - 8	6 7/8 - 6 5/8	7 1/16 - 6 7/8	7 3/16 - 7 1/16	7 3/8 - 7 1/4	7 1/2 - 7 3/8
Sterling CDs	-	-	6 31/32 - 6 29/32	6 31/32 - 6 7/8	7 3/32 - 7 1/32	7 5/16 - 7 1/4
Treasury Bills	-	-	6 23/32 - 6 21/32	6 7/8 - 6 3/4	-	-
Bank Bills	-	-	6 25/32 - 6 23/32	6 31/32 - 6 29/32	7 3/32 - 7 1/32	-
Local authority deps.	6 5/8 - 6 1/2	6 3/4 - 6 5/8	6 7/8 - 6 13/16	7 1/16 - 6 31/32	7 3/16 - 7 1/8	7 5/16 - 7 3/8
Discount Market deps	6 7/8 - 6 13/16	6 3/4 - 6 5/8	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 1, 6.7348pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 25, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.69	92.72	+0.03	92.73	92.69	15197	130361
Dec	92.50	92.55	+0.05	92.57	92.50	23208	140172
Mar	92.49	92.54	+0.05	92.56	92.49	17549	104902
Jun	92.52	92.56	+0.04	92.58	92.52	9254	70094
Sep	92.57	92.61	+0.04	92.62	92.57	5518	53881

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.24	0.18	0.25	0.02	0.13	0.21
9275	0.07	0.07	0.12	0.10	0.27	0.33
9300	0.01	0.02	0.05	0.29	0.47	0.51

Est. vol. total, Calls 4330 Puts 1505. Previous day's open int., Calls 191862 Puts 172140

EMS EUROPEAN CURRENCY UNIT RATES

Aug 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.89966	-0.00895	0.78	2.66	-5
Ireland	0.798709	0.735921	-0.00162	-7.98	12.28	53
Portugal	197.398	200.365	+0.385	1.50	1.92	-10
Italy	1906.48	1936.54	-3.69	1.58	1.85	-11
Spain	163.826	167.201	+0.46	2.06	1.37	-14
Denmark	7.34555	7.54429	+0.012	2.71	0.78	-19
Netherlands	2.16979	2.22924	-0.00433	2.74	0.70	-20
Germany	1.92573	1.97932	-0.00359	2.78	0.65	-27
Austria	13.5485	13.9271	-0.0261	2.78	0.64	-20
Belgium	39.7191	40.8690	+0.0748	2.90	0.55	-21
France	6.45863	6.68184	-0.01392	3.46	0.00	-29
NON ERM MEMBERS						
Greece	295.289	308.969	+0.262	4.64	-1.13	-
UK	0.793103	0.656736	+0.008131	-17.19	24.94	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.620	1.19	2.02	2.51	0.56	1.60	2.28
1.630	0.63	1.53	2.05	1.18	2.13	2.77
1.640	0.45	1.14	1.65	1.72	2.68	3.28

Previous day's vol., Calls 73 Puts 180. Prev. day's open int., Calls 32,254 Puts 35,314

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.530	0.51	0.95	1.26	0.29	0.55	0.83
0.535	0.29	0.68	0.97	0.49	0.79	1.03
0.540	0.14	0.48	0.78	0.89	1.08	1.32

Previous day's vol., Calls 893 Puts 750. Prev. day's open int., Calls 13,770 Puts 19,420

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.25	-	94.26	94.25	38,513	522,714
Dec	94.07	94.08	-	94.09	94.06	83,391	459,475
Mar	93.98	93.99	+0.01	93.99	93.97	82,069	335,880

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.88	94.88	-	94.88	94.88	375	7,086
Dec	-	94.75	-	-	94.75	41	827

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9625	0.39	0.40	0.27	0.30	0	0.01	0.05	0.08
9650	0.15	0.17	0.10	0.13	0.01	0.03	0.13	0.16
9675	0.01	0.03	0.02	0.03	0.12	0.14	0.30	0.31
9700	0	0	0	0.01	0.36	0.36	0.53	0.54
9725	0	0	0	0	0.61	0.61	0.78	0.78

Est. vol. total, Calls 6267 Puts 4909. Previous day's open int., Calls 362981 Puts 269105

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.07	0.09	0.12	0.14	0.36	0.52
9875	0.02	0.03	0.05	0.34	0.55	0.71

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 3975 Puts 3457

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	6.50
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	● Members of London Investment Banking Association	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75	* In administration	
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

Spending by metal miners put at $34bn

By Kenneth Gooding, Mining Correspondent

Metal mining companies plan to spend $34bn on new mines and expansion projects, with Latin America earmarked for the lion's share and copper the favoured commodity.

An analysis by Mining Journal says spending is to be spread over an average of three years, indicating median annual capital expenditure of $10bn.

Latin America is set to account for 42 per cent of the total, or $14.3bn. Copper will account for 54 per cent of expenditure, or $18.5bn.

Mining Journal calculates that planned capital expenditure by the industry has jumped by 80 per cent compared with that envisaged when it carried out a similar study 30 months ago.

In the latest survey, gold accounts for $8.3bn, or 24 per cent, of planned expenditure, but Mining Journal points out that the recent steep fall in the gold price "undoubtedly will result in the deferral or cancellation of many precious metals projects".

The plans were made before the Bre-X gold scandal erupted in April, causing investors to shy away from mining and making it difficult for small mining companies to raise new capital.

Bre-X, a small Canadian mining company, saw its share price jump after it announced it was developing what promised to be the world's biggest gold mine in Indonesia. However, tests later showed that gold samples had been tampered with and Bre-X's shares collapsed.

The third ranking commodity is nickel, with 13 per cent of planned expenditure.

As for geographic regions, North America takes second place but with less than 17 per cent of the total, or $5.7bn. There is little difference in the proportion of planned expenditure in Africa, Asia and Australasia: each has about 14 per cent of the total.

There is little mining expenditure set for Europe and two-thirds of the identified total is allocated to one project – the Lisheen zinc project in Ireland, being developed by Ivernia West, of Ireland, and South African owned Minorco.

The analysis shows mining companies are shunning the former eastern bloc countries – only small gold projects are planned for that region.

In the past 30 months, the number of projects expected to cost more than $500m has nearly doubled and accounts for $19.6bn of the total, or 57 per cent.

Six projects will cost more than $1bn. They are:

- Batu Hijau, in Indonesia, a copper-gold project shared by Newmont of the US and Sumitomo of Japan;
- Collahausi, a copper project in Chile being developed by Falconbridge of Canada, Minorco, and Mitsui and Nippon Mining of Japan;
- Salobo, a copper-gold project in Brazil being developed by CVRD of Brazil and Minorco;
- Inco of Canada's Voisey's Bay nickel-cobalt project in Newfoundland;
- Bajo de la Alumbrera in Argentina, where MIM and North, of Australia, and Rio Algom of Canada are the partners;
- Los Pelambres, another Chilean copper project to be developed by UK-listed Antofagasta, and a Japanese consortium comprising Mitsubishi, Mitsui, Marubeni and Nippon Mining.

Hibernia takes on 'iceberg alley'

Workers have begun drilling the first well at the massive Hibernia oil platform, the controversial C$5.5bn (US$4bn) project that has spurred development of eastern Canada's vast offshore energy potential.

The 1.2m tonne iceberg-resistant structure, one of the heaviest objects ever moved, was towed two months ago to its resting site 315km off the coast of Newfoundland. The platform is expected to start production later this year and will eventually pump 135,000 barrels a day of crude oil, equivalent to 7 per cent of Canada's total output.

The Hibernia consortium, which includes Chevron, Mobil Oil, Petro-Canada, the federal government and one small company, expects to recover at least 615m barrels of crude oil.

Producers have been closely watching the Hibernia project, as it is the first significant attempt to exploit the region's oil potential, long believed to be economically unviable. Even before it is complete, the Hibernia initiative has already prompted further development on the Grand Banks off Newfoundland, a region estimated to contain 4.7bn barrels of crude reserves.

Petro-Canada is awaiting regulatory approval this autumn to proceed with a C$2bn platform to exploit the 400m-barrel Terra Nova field 35km south-east of Hibernia. Amoco Canada will soon begin exploratory drilling at a Grand Banks field estimated to contain 300m barrels, and Husky Oil is delineating a field 50km from Hibernia that may contain 250m barrels.

Producers say the technology and construction infrastructure developed during the Hibernia venture have lowered start-up costs for new initiatives. Oil companies also point out that trans-shipment infrastructure will give them more flexibility in moving crude to market. A provincial royalty regime and a revenue sharing agreement between Newfoundland and the federal government have established a framework for future projects.

Hibernia "has really been the catalyst for east coast offshore development," says Mr Chris Peirce, vice-president of strategic planning for the Canadian Association of Petroleum Producers.

It was much more difficult to be optimistic when Chevron made its Hibernia discovery in 1979. The Grand Banks' rough seas and location in "iceberg alley" made exploration and production extremely hazardous. The project met with disaster in 1982 when an exploratory oil rig capsized in heavy seas, killing all 84 crew members.

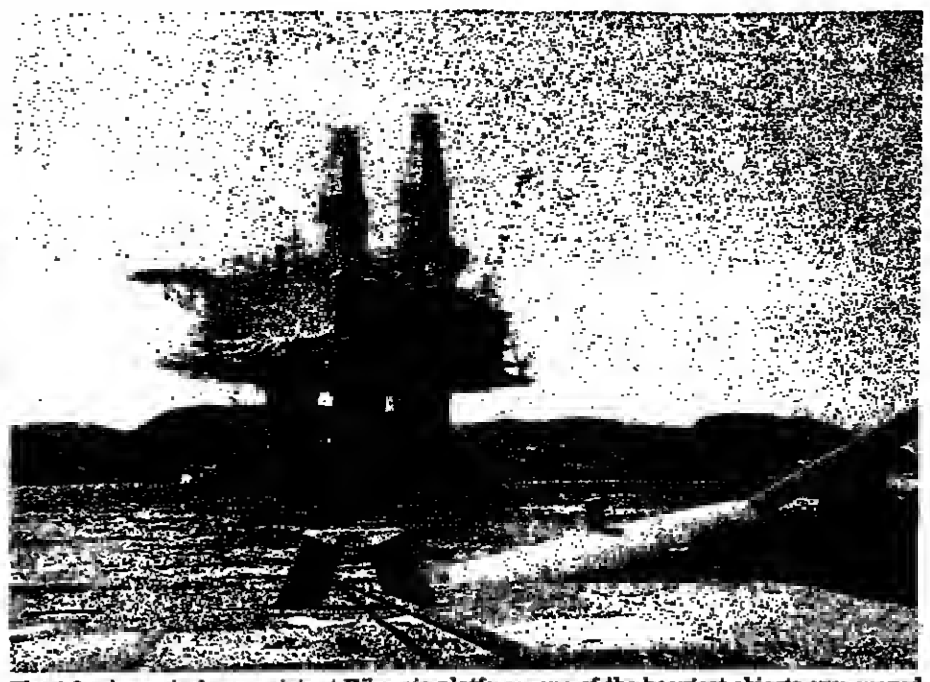
Furthermore, the underdeveloped province lacked the infrastructure and skilled labour to support a project such as Hibernia.

Because everything had to be built almost from scratch, investment in the project is believed to be among the highest ever for an offshore oil operation. Efforts to move ahead with Hibernia came to a standstill in 1986 when world oil prices plunged. Discussions began again in 1988 and Ottawa agreed to C$2.8bn in grants and loan guarantees.

The result is a 224m platform designed to withstand a 1m tonne iceberg. The gravity-based structure can also withstand a hit from a 6m-tonne iceberg with repairable damage.

Sceptics had questioned whether such a project could prove economical. But with current world oil prices far above Hibernia's break-even point of about US$13 a barrel, consortium members expect a 12-15 per cent return on investment. They also say the project's measure of success must include the fact it has created the technology, infrastructure and skilled workforce needed to attract further investment to a region rich in resources, yet largely undeveloped.

Scott Morrison



The 1.2m tonne iceberg-resistant Hibernia platform, one of the heaviest objects ever moved

Oil price softens ahead of Iraq deal

MARKETS REPORT

By Robert Corzine and Gary Mead

Oil prices softened yesterday in anticipation that Iraqi oil exports will soon resume. In late London trading Brent Blend for September delivery was down 29 cents to $19.23 a barrel.

Iraqi officials said they expected exports to resume by the middle of this month. Iraq's pricing formula, the last hurdle to a resumption of exports, has been forwarded to the sanctions committee of the UN Security Council. It has two days in which to raise objections, or the formula will be automatically approved.

Prices for some base metals rallied on the London Metal Exchange, with three-month zinc pulling back from last week's rout to peak at $1,538 a tonne. It ended the afternoon "kerb" session at $1,528, but that was still $30 better than Tuesday's closing price. The premium for metal for immediate delivery remained at $100 a tonne.

Elsewhere on the LME three-month aluminium, currently experiencing a technical squeeze, reached $1,743 a tonne but closed weaker at $1,741.50, up $20.50, with traders attributing continued interest to speculative buying.

On Liffe interest in coffee futures was lacklustre, despite speculative buying pushing up prices on the Coffee, Sugar and Cocoa Exchange in New York. Liffe's September contract ended $11 lower at $1,645 a tonne, having run into resistance at $1,675.

The September future on the CSCE was down 2.60 cents at 200.50 cents a pound just before midday.

Consortium abandons Vietnam oil field

By Jeremy Grant in Hanoi

MJC Petroleum, a consortium in which Mobil Oil, of the US, is the largest partner, has abandoned an oil field off Vietnam after three years of exploration yielded nothing of commercial value.

The stoppage at the Thanh Long (Blue Dragon) field, 175 miles south-east of the Mekong Delta, is the latest withdrawal by a foreign company and another blow for the country's hydrocarbon prospects.

It is likely to be particularly disappointing for Mobil, which discovered the field in March 1975.

MJC drilled three wells at the field in deep water, costing about $110m. The third well, completed in March, was not as promising as hoped and work stopped at the field about three weeks ago.

Mobil has a 45 per cent interest in MJC, with Japan Petroleum Exploration, Indonesia Petroleum, Japan National Oil Corporation and Nissho Iwai the other partners.

The consortium has a 72.5 per cent share in Blue Dragon in partnership with state oil agency PetroVietnam and Russia's Zarubezhneft.

Mobil is not leaving Vietnam and is still interested in fresh prospects, a spokesman said. The company is a partner in two other exploration blocks and is hoping to win contracts for blocks 16 and 9, to be awarded shortly.

Foreign oil companies flocked to the country in the late 1980s and early 1990s, anticipating rich rewards from its under-explored offshore oil and gas prospects, but few have struck commercially viable deposits.

Complex geology has made exploration expensive. Hanoi also insists on profit-sharing arrangements that are among the most expensive for foreign companies in the region.

"Everyone has seen a lot of money spent and those that remain will be under pressure to pull out if they don't produce anything soon," said Mr Declan Ryan, analyst at Wood Mackenzie energy consultants in Edinburgh.

The Vietnamese authorities have complicated matters by dawdling over the awarding of promising blocks due to internal political conflicts.

That has been a source of frustration for US companies, which arrived in Vietnam after the US-led trade embargo on Vietnam was lifted in 1994.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1742.5-44.5	1736-37
Previous	1725.5-26.5	1722-23
High/low		1743/1711
AM Official	1712-13	1712-13
Kerb close		1741.5-42
Open int.	289,331	
Total daily turnover	102,111	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1495-505	1520-30
Previous	1480-90	1505-25
High/low		1525/1505
AM Official	1465-70	1495-505
Kerb close		1525-35
Open int.	5,570	
Total daily turnover	1,544	

■ LEAD ($ per tonne)

Close	587-8	604-5
Previous	592-93	608-09
High/low		613/604
AM Official	590-91	604-05
Kerb close		606-7
Open int.	37,250	
Total daily turnover	14,158	

■ NICKEL ($ per tonne)

Close	7080-90	7185-95
Previous	7115-25	7220-30
High/low		7275/7160
AM Official	7095-96	7210-15
Kerb close		7160-70
Open int.	52,756	
Total daily turnover	18,009	

■ TIN ($ per tonne)

Close	5535-45	5580-90
Previous	5520-30	5570-80
High/low		5590/5555
AM Official	5500-10	5555-56
Kerb close		5585-90
Open int.	15,780	
Total daily turnover	5,734	

■ ZINC, special high grade ($ per tonne)

Close	1520-25	1522-23
Previous	1583-88	1496-97
High/low	1612/1590	1537/1498
AM Official	1512-13	1510-10.5
Kerb close		1527-29
Open int.	99,956	
Total daily turnover	43,197	

■ COPPER, grade A ($ per tonne)

Close	2307-10	2287-88
Previous	2308-11	2282-84
High/low	2304	2300/2275
AM Official	2304-05	2286-87
Kerb close		2298-99
Open int.	139,774	
Total daily turnover	42,655	

■ LME AM Official £/$ rate: 1.5875
LME Closing £/$ rate: 1.6000

Spot: 1.6013 3 mths: 1.5955 6 mths: 1.5888 9 mths: 1.5829

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	106.20	-1.30	106.70	105.10	191	2,781
Sep	106.20	-1.00	107.40	104.60	4,147	21,294
Oct	105.20	-0.85	105.78	104.20	23	1,687
Nov	104.40	-1.00	104.80	104.80	25	1,369
Dec	103.80	-0.95	104.75	102.70	373	7,830
Jan	103.50	-0.90	-	-	11	656
Total					4,908	43,228

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	319.90-320.40		
Opening	318.50-318.80		
Morning fix	318.85	199.28	489.28
Afternoon fix	319.35	199.43	488.61
Day's High	320.10-320.40		
Day's Low	318.50-318.80		
Previous close	319.50-320.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.69 6 months 3.67
2 months ....3.69 12 months 3.78
3 months 3.69

Silver Fix	p/troy oz.	US cts equiv.
Spot	271.65	434.00
3 months	275.85	439.05
6 months	280.10	444.15
1 year	288.85	455.00

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	199-200
Maple Leaf	-	-
New Sovereign	75-77	47-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	318.2	-2.2	320.0	318.0	541	1,130
Sep	319.1	-2.1	-	-	2	2
Oct	320.4	-2.1	322.2	319.7	1,636	15,246
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS IPE [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	82.75	+1.00	82.75	82.50	50	232
Nov	85.65	+1.15	85.65	85.00	221	3,783
Jan	87.75	+1.25	87.75	87.20	132	2,350
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne) [illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point) [illegible]

PULP AND PAPER

■ PULPEX OMLX [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1001	-	1017	1002	1,451	23,380
Dec	1032	-1	1048	1032	1,307	43,689
Mar	1052	-3	1069	1053	792	48,714
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LIFFE (5 tonnes; $/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE. Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100) [illegible]

■ CRB Futures (Base: 1967 = 100) [illegible]

■ GSCI Spot (Base: 1970 = 100) [illegible]

Minor metals from Metal Bulletin [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	66.575	+0.150	66.750	66.125	4,576	14,828
Oct	70.000	+0.500	70.075	69.250	8,291	52,031
Dec	71.850	+0.275	72.000	71.275	1,638	20,560
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME [illegible]

■ COPPER (Grade A) LME [illegible]

■ COFFEE LIFFE [illegible]

■ COCOA LIFFE [illegible]

■ BRENT CRUDE IPE [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

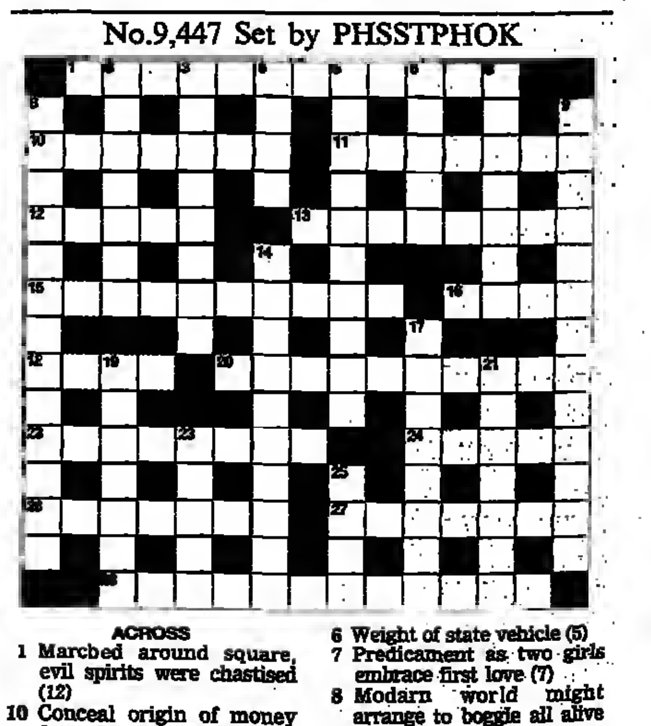
■ NATURAL GAS (Pence/therm) [illegible]

■ OTHER [illegible]

JOTTER PAD

CROSSWORD

No.9,447 Set by PHSSTPHOK



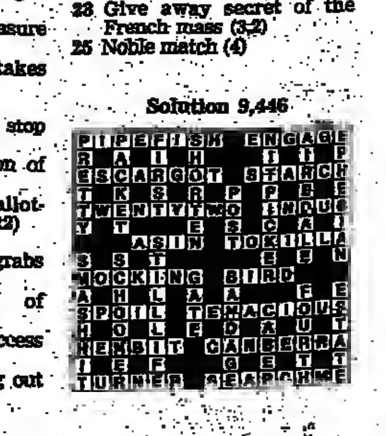
ACROSS

1 Marched around square, evil spirits were chastised (12)
10 Conceal origin of money from the city below (7)
11 Squad raises trouble for nerve-centres (7)
12 Empty bun is filled with uncooked meat (5)
13 Preserved cream fills oriental sea (8)
15 Officer plays tune in battle, eliminating disease (10)
16 Change direction of innocent orphan (4)
18 Futile to listen to false god (4)
20 Understanding the measure of the tides? (10)
22 Realistic animation takes prize (8)
24 Strong evidence (5)
26 Strangely tall, got to stop in mid-word (7)
27 Exercise in production of green centre-piece (7)
28 Windows in home allotment follow half-life (12)

DOWN

2 Drill point repeatedly grabs coin (7)
3 Rationed elements of straight line (8)
4 Waves of computer access (4)
5 Classified tree men dig out (10)
6 Weight of state vehicle (5)
7 Predicament as two girls embrace first love (7)
8 Modern world might arrange to boggle all alive endlessly (6,7)
9 America is country unsuitable for capitalism! (4,2,3,4)
14 In articles, lecture details list of acids (10)
17 Oriental cakes rupture, dripping with most tears (8)
19 Promote nothing very loud at launch (4,3)
21 Foreign man loves Grieg composition (7)
23 Give away secret of the French mass (3,2)
25 Noble match (4)

Solution 9,446



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BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd (z)

Bank of Cyprus Group

Christows Investments Plc

Lazard Investment Funds Ltd - Contd.

Morgan Grenfell Investment Funds Ltd (z)

Asset Korea Fund

Atlantis Korean Smaller Companies Fund

Hanson Ireland Ltd

The Wanger Investment Company PLC

TSB Fund Managers - Contd.

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Singer & Friedlander Inv Funds Ltd (z) - Contd.

Citizens Investment Trust Mngt Company

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 00 352 404646211

[illegible]

Frontrunner I (u)

672 rue de Neudorf, Luxembourg 00 352 43087350

[illegible]

GT Global

[illegible]

HSBC Investment Funds Luxembourg SA (u)

[illegible]

Bank Von Ernst & Cie AG

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

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[redacted]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Premier Life

Professional Investment Consultants

Royal Life International

Arnhold and S. Bleichroeder, Inc

Asia Pacific Capital Strategies Fund

Asia Pacific Securities Corp Ltd

Asian Convertibles & Income Fd (Cayman)

Atlantico Investment Ltd

Atlantis Fund Management (Guernsey) Ltd

Atlas Management Limited

Aurum Funds

BAS-EX Currency Fund Plc

BEA Associates

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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هكذا من الأصل

[redacted]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

RETAILERS, FOOD

TELECOMMUNICATIONS

RETAILERS, GENERAL

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27¾		*£27¾	£20¼	2,091	2.7	♦
Barlow	†	£8⅞	+⅛	£8⅞	£5⅞	1,660	1.8	17.0
Gold Flds Prop R	†	187	+2	188½	122	18.1	4.0	14.4
SA Brews		£19⅜	+⅛	£19⅜	£13⅞	5,862	1.8	♦
Standard Bank		£29⅜	+⅛	£30	£21	3,530	1.8	♦
Tiger Oats	†	1055	+15	1180	790	1,594	1.8	20.2
Tongaat-Hulett		789	+12½	799½	676½	746.6	2.5	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend	F Yield based on prospectus or other official estimates for 1996-97	FD Foreign Income Dividends
b Figures based on prospectus or other official estimates.	G Assumed yield after pending scrip and/or rights issue.	B Forecast annualise yield, p/e based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.	H Yield based on prospectus or other official estimates for 1997.	W Pro forma figures.
h Assumed dividend yield after scrip issue.	S Yield based on prospectus or other official estimates for 1996	Z Dividend yield to date
r Rights issue pending	L Estimated annualised yield, p/e based on latest annual earnings.	Abbreviations:
q Earnings based on preliminary figures.	M Yield based on prospectus or other official estimates for 1997-98.	xd ex dividend;
s Dividend yield excludes a special payment	N Dividend is paid in whole or part as a	xc ex scrip issue;
t Indicated dividend yield, p/e ratio based on latest annual earnings.		xr ex rights;
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings		xa ex all;
v Dividend yield includes a special payment		xk ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1623. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

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Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

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LONDON STOCK EXCHANGE

FTSE 100 bursts through the 5,000 level

MARKET REPORT

By Philip Coggan, Markets Editor

A sharp fall in sterling, positive corporate news, and a toucb of interest rate optimism, combined to send the FTSE 100 index above 5,000 for the first time.

It is just 10 months since Footsie, launched at 1,000 at the start of 1984, reached the 4,000 mark. In the interim, the market has survived the election defeat of the Conservatives, four interest rate increases, a rapid rise in the pound and the abolition of the tax credit on dividends. But with a global bull market in equities in full swing, none of those domestic factora have stopped Footsie from forging ahead.

The historic day started quietly, with the leading index up only five points at 4,960.6. But the market quickly gathered pace and Footsie sailed past 5,000 in mid-morning, notching an all-time intra-day peak of 5,027.7, up 67.1, during the lunchtime period. The previous intra-day high of 4,991.8 was set on July 16, tha day the Dow Jones Industrial Average broke through the 8,000 level.

A series of well-received corporate results gave a solid backing to the market. This contrasted with last week, when companies' share prices tended to fall after the release of their figures.

But the reaction to results this week has been very positive. A classic axample was provided yesterday by engineering group GKN, one of the companies assumed to have been taking a beating from the recent strength of sterling.

In fact, the GKN profits easily beat forecasts, causing the shares to be Footsie's best performers on the day and giving a lift to tha manufacturing sector.

Shares in exporters were also boosted by the sudden reversal of sterling. The pound shed 5½pfg against the D-Mark and 2¼ cents against the dollar, briefly dropping below the DM3.00 and $1.60 levels.

There was some hope that the Bank of England's monetary policy committee might not raise interest rates when it announces its decision today. There was also speculation that the Bundesbank might be tiring of the D-Mark's weakness.

"People are starting to talk about a rise in German interest rates and that has taken some of the shine off sterling," said Mr Keith Skeoch, chief economist of HSBC James Capel. "Ironically, sterling coming back to DM3 could give the monetary policy committee room to constrain consumer spending by raising rates."

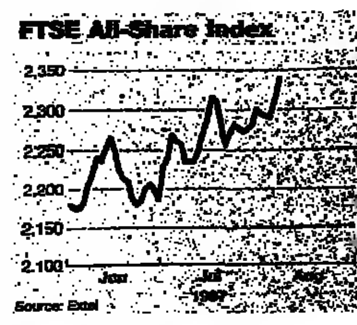
In the afternoon, Footsie briefly faltered when Wall Street opened lower but the Dow rebounded to be around 55 points higher when London closed. Gilts were also supportive, with the benchmark 10-year issue rising by around a third of a point.

All this allowed the leading index to close 65.6 up at a closing high of 5,026.2. The All-Share also set a closing peak of 2,339.74.

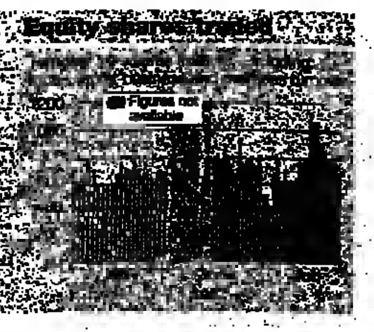
Once again, however, smaller companies failed to join in the celebrations, with the SmallCap index dropping 0.3 to 2,188.8. The FTSE 250 index gained 18.7 to 4,517.3.

Volume was a very healthy 988.2m shares at the 6pm count.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	5026.2	+65.6	FT 30	3159.7	+42.7
FTSE 250	4517.3	+18.7	FTSE Non-Fins p/e	19.59	19.37
FTSE 350	2400.8	+27.4	FTSE 100 Fut Sep	4905.0	+34.0
FTSE All-Share	2339.74	+25.00	10 yr Gilt yield	7.12	7.16
FTSE All-Share yield	3.34	3.38	Long gilt/equity yld ratio	2.13	2.12

Best performing sectors

1 Oil: Integrated ......+3.3
2 Engineering: Vehicles ......+3.1
3 Mineral Extraction ......+3.0
4 Paper: Pckg ......+3.0
5 Electronic & Elect ......+2.8

Worst performing sectors

1 Retailers: Food ......−0.7
2 Electricity ......−0.6
3 Water ......−0.6
4 Tobacco ......−0.5
5 Textiles & Apparel ......−0.2

GKN pleases market

By Joel Kibazo, Peter John, and Caroline Pfeiffer

Engineering group GKN sparkled after it posted interim figures well ahead of the market's best estimates and prompted a wave of profit upgrades.

Profits came in 12 per cent higher at £203m, against analysts' expectations of around £187m. Analysts cited a better than expected performance in the group's Italian division, cost-cutting and a aolid parformance at tbe industrial services unit.

The shares, which bave risen from 920p at the begining of July in anticipation of favourable figures, powered ahead yesterday, gaining another 70 or 6.45 per cent to £11.56. Volume was 2.9m.

Analysts moved quickly to upgrsde full-year profits forecasts. Many raised their estimates from tbe £385m mark to around £405m, although the bulls of the stock suggest profits may be as high as £420m.

One analyst said: "These are superb figures and it has to be said they are well above the best predictions."

Another specialist pointed out that yesterday's advance left the shares at a 6 per cent discount to the market. "At these levels the shares are fully valued and I cannot see them advancing any further in tha short term," he said.

A sudden reversal in the value of sterling against the dollar and, more importantly, the D-Mark gave much-needed relief to hard-pressed overseas earners and exporters.

The pound tumbled 5¼pfg against the German currency yestarday and 2½ cents against the dollar.

ICI, which has a big overseas exposure, was one of the prime beneficiaries, with a rise of 34½ to a new closing peak of £10.62½p. The shares have jumped more than 30 per cent since July 9.

The shares benefited from an earlier upgrade by NatWest Securities, which also increased earnings estimates. Momentum began last week after ICI met with analysts in the US. Merrill Lynch upgraded the stock on the back of the meeting, saying the group's restructuring was occurring faster tban expected. Dealers noted heavy buying in the ADRs after the US road show and Merrill upgrade.

Among other currency-exposed stocks, Pearson, the media conglomerate that owns the Financial Times, gained 31 to 771p, making a rise of more than 100p in the past three trading days. Elsewhere, TI Group added 20 at 574½p, Renters Holdings 23½ at 686½p, while in the FTSE 250, Arjo Wiggins improved 11½ to 174p and Rexam by 16 to 282½p.

Meanwhile, currency defensives were weaker. National Power lost 15 to 524p, Severn Trent 15½ to 834½p and Tesco 6½ to 427½p.

Standard Chartered rallied 32¼ to £10.38 in spite of the impact on profits from the strength of sterling.

The bank reported first-half profits of £435m, down from £448m last year, but at the top of the forecasts range. Also, the sterling-related losses were offset by big profits from foreign exchange trading in the Far East where currency turmoil has been strong.

HSBC James Capel moved its stance to "buy" from "bold" and other brokers highlighted tbe stock's racent share price underperformance compared with the rest of the sector.

National Westminster was weak in early trading but followed the market higher despite downgrades to profit forecasts sparked by Tuesday's results; it closed a net 5¼ up at 840½p. BZW cut its full-year forecast from £1.8bn to £1.64bn and from £2bn to £1.84bn for 1998. It also cut dividend estimates from 33.3p to 32p per share for 1997 and from 38.2p to 36p for 1998. HSBC James Capel cut its current-year figure to £1.57bn from £1.72bn.

Amersham International, whicb has risen sharply since early June when it announced the first of two proposed mergers, broke through £20 to close 57½ up at £20.47½p on news that the link between Amersham Life Science and Pharmacia Biotech had been completed.

The second merger, with Nycomed of Norway, is expected to be completed in September. By tbat time, Amersham's market capitalisation is likely to propel the company into the Footsie.

Some institutional investors bave been actively picking up stock at prices outside tbe quoted market spreads this week in preparation for the Footsie arrival. Also, the company has been telling its story to investors at a series of presentstions.

Rio Tinto, one of tba world's biggest mining companies, was lifted 21 to £10.11p in tha registered stock by an upgrade from SBC Warburg. Warburg raiaed the stock from "reduce" to "hold" on valuation grounds. Tha shares have underperformed tbe FTSE 100 index hy 19 per cent and the All-Share index hy 15 per cent over the past 12 months.

Technical analysts at Merrill Lynch said Rio was a "classic late cycle play" on the basis that commodity stocks are usually the last to enter a bull market when perceptions of inflation begin to creep up.

Drinks and foods group Cadbury Schweppes moved 16 ahead to 611½p as it reported first-half profits in line with market expectations. However, the team at Lehman Brothers was said to bave removed Cadbury Schweppes from its European recommended portfolio on Tuesday saying the stock is likely to underperform as the group invests heavily in bottling capacity.

The strong market trend hrought out the bargain-hunters for Britisb Airways, which fell sharply at the begining of this week after it revealed the cost of ongoing industrial action. The shares put on 7 to 639½p, with some 3.2m having changed hands by the close of trading. NatWest Securities favours the shares and urged investors to "add" to holdings.

Capital Shopping improved 10 at best, following a sharp rise to £36.3m in first-half profits. Brokers were upgrading full-year forecasts by 4 per cent. Later in the day, selected profit-taking saw the share price move back to close a net 5 better at 401½p.

MEPC rose a penny to 494½p with one analyst suggesting that the company was one of the few in the sector to offer good value.

In building materials, Heywood Williams appreciated 11 to 206½p, boosted by a Teather & Greenwood recommendation. The broker said: "Heywood Williams is rated as a mini conglomerate which, we strongly believa, is not appropriate. There is a focused and growing UK UPVC company and a US manufactured housing builders' merchant component manufacturer waiting to be recognised. When this happens, re-rating will surely follow."

FT 30 INDEX

	Aug 6	Aug 5	Aug 4	Aug 1	Jul 31	Yr ago	*High	*Low
FT 30	3159.7	3117.0	3081.5	3092.2	3101.5	2787.8	3159.7	2668.8
Ord. div. yield	3.45	3.50	3.54	3.53	3.52	4.08	4.22	3.45
P/E ratio net	19.75	18.47	18.25	19.30	18.36	18.43	18.98	15.80
P/E ratio nil	19.57	19.28	19.06	18.12	18.17	16.27	18.78	15.71

FT 30 since compilation: high 3128.1 16/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3121.6	3132.7	3135.7	3145.8	3146.0	3156.2	3158.2	3148.0	3157.5	3160.2	3121.3

	Aug 6	Aug 5	Aug 4	Aug 1	Jul 31	Yr ago
SEAQ bargains	49,077	47,544	46,965	48,956	46,124	32,267
Equity turnover (£m)†	–	NA	2492.0	2854.5	NA	2304.4
Equity bargains†	–	NA	47,799	43,311	NA	35,407
Shares traded (ml)†	–	NA	751.2	833.5	NA	725.8

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	931	Total Highs	199	Total contracts	53,963
Total Falls	483	Total Lows	78	Calls	27,670
Same	1,608			Puts	26,293

Aug 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4976.0	5049.0	+100.0	5064.0	4971.0	12635	75173
Dec	5082.0	5114.0	+101.0	5120.0	5082.0	51	5740
Mar	5118.0	5157.0	+100.0	5128.0	5119.0	208	91

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4537.0	4537.0	-2.0	4537.0	4537.0	68	7115

■ FTSE 100 INDEX OPTION (LIFFE) (*5023) £10 per full index point

	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5100 C	5100 P	5200 C	5200 P
Aug	197	8	151½	14	110½	24½	73	42	45½	65½	25½	98½	13	139	6	183½
Sep	249	49	211½	63	175½	79	146½	101	117½	122½	94	150½	73	180½	55	214
Oct	290	75	253½	89½	222	109	192½	130½	162½	151½	137½	177½	116	206	93½	235
Nov	331½	101½	297½	117½	267	137	237	157	207	178½	182	204½	161	233½	140½	263½
Dec†			335	126			273	168½			216½	214			171½	270½

Calls 13,058 Puts 3,552

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P
Aug	168½	10½	124	17½	86½	30	58½	50	34	77	18	112	9½	153	4½	197½
Sep	226	55½	193½	70½	161	87½	132	108	106½	132½	84½	159½	65	190	49	223½
Oct	268	78	234½	93½	202½	111	173½	131	146½	153½	122½	179	101½	207	84½	239
Dec			314	130			258½	167			198	208½			160	258
Mar†			399	168½			339	204			274	243½			222½	267½

Calls 6,814 Puts 13,913 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	4,694	226	220½	Billiton	225½	+1½	RO10c	1.6	2.8	22.6
*-	F.P.	7.34	74½	72½	†Blakes Clothing	73½		L1.45	5.1	2.5	8.0
-	F.P.	135.0	108½	101	Bristol & W Prf	108	+¼	-	-	-	-
§100	F.P.	25.0	122½	109½	Cammell Laird	117½		L3.8	2.1	4.0	11.3
§260	F.P.	15.8	275	265	Delcam	267½	-1½	L2.5	4.4	1.2	24.2
	F.P.	-	115	114	EMI 8	115		22.75	-	3.1	-
§3	F.P.	4.61	3¾	3½	†Fairplace Cnslig	3¾		-	-	-	-
§-	F.P.	8.56	65	65	†GR Holdings	65		-	-	-	31.6
§150	F.P.	236.5	202	162½	Galen Hldgs	185		L0.9	5.7	0.6	31.4
§	F.P.	23.9	162½	117½	Gremlin Group	127½	+10	R3.5	3.2	3.4	9.9
§125	F.P.	6.02	135	102½	†Helicon Publsg	102½	-3	-	-	-	-
§135	F.P.	63.0	149½	142½	Hitachi Cred UK	148½		L4.3	1.4	3.6	24.5
§	F.P.	575.0	388½	382	Ionica	383½		-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.9
§173	F.P.	46.3	217½	185½	Metroline	215½	+½	R5.8	2.8	3.4	12.9
100	F.P.	32.7	112½	99½	Rasbourne Marlin	108½		-	-	-	-
§100	F.P.	7.49	120½	105½	†SBS Group	105½		L2.4	2.0	2.8	10.6
§	F.P.	57.6	140½	136½	Ted Baker	139½	-½	L3.49	0.1	3.1	-
	F.P.	-	22¾	19½	Thorn 8	20½		-	-	-	-
-	F.P.	75.2	87½	80½	Viglen Tech	81½	-3½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 5	% chg on day	Aug 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1374.44	-2.1	1404.32	2074.61	2.31	-	2074.61	1270.14
■ Regional Indices								
Africa (14)	1371.57	-1.8	1397.29	2775.96	5.63	22.58	2775.96	1324.06
Australasia (6)	1520.36	-2.3	1556.48	2344.94	3.47	17.56	2455.10	1336.10
North America (11)	1369.91	-2.2	1400.61	1840.19	1.02	68.56	1861.48	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 6	Day's chge%	Aug 5	Aug 4	Aug 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5026.2	+1.3	4960.6	4895.7	4899.3	3611.1	3.27	2.20	17.38	92.36	2146.98
FTSE 250	4517.3	+0.4	4498.9	4485.0	4488.4	4309.0	3.67	1.62	20.96	97.42	1891.76
FTSE 250 ex IT	4505.2	+0.4	4489.4	4475.5	4478.7	4340.5	3.83	1.66	19.72	100.50	1882.27
FTSE 350	2400.8	+1.2	2373.4	2346.8	2348.5	1906.0	3.35	2.06	17.94	45.55	2095.43
FTSE 350 ex IT	2402.2	+1.2	2374.6	2347.4	2349.1	-	3.37	2.09	17.71	13.32	1075.20
FTSE 350 Higher Yield	2286.2	+0.8	2267.8	2246.5	2249.9	1840.8	4.57	1.80	15.24	54.40	1691.70
FTSE 350 Lower Yield	2515.2	+1.4	2479.9	2448.2	2448.5	1978.5	2.37	2.53	20.92	36.18	1795.49
FTSE SmallCap	2188.77	----	2189.06	2186.64	2188.73	2114.27	3.27	1.74	22.00	42.67	1863.11
FTSE SmallCap ex IT	2142.32	-0.2	2145.65	2145.22	2144.12	2104.91	3.58	1.82	19.20	45.94	1839.60
FTSE All-Share	2339.74	+1.1	2314.74	2290.40	2291.97	1883.21	3.34	2.06	18.15	44.45	2072.88
FTSE All-Share ex IT	2340.88	+1.1	2315.71	2290.64	2292.07	-	3.38	2.06	17.78	13.32	1066.64

■ FTSE Actuaries Industry Sectors

	Aug 6	Day's chge%	Aug 5	Aug 4	Aug 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	5067.10	+3.0	4919.65	4761.90	4730.85	3657.36	3.04	1.95	21.06	85.78	2268.35
12 Extractive Industries(5)	4238.00	+2.1	4148.83	4107.36	4114.52	4092.20	3.71	2.38	14.12	104.80	1295.42
15 Oil, Integrated(3)	5414.10	+3.3	5239.72	5042.60	5001.87	3657.19	3.12	1.88	21.34	90.43	2491.74
16 Oil Exploration & Prod(12)	3858.22	+1.1	3816.14	3804.93	3798.02	2527.85	1.49	2.23	37.72	38.65	2364.23
20 GEN INDUSTRIALS(263)	1958.12	+1.5	1928.00	1910.81	1911.49	1992.66	4.08	1.92	15.96	44.83	1120.79
21 Building & Construction(35)	1305.17	-0.2	1307.83	1309.43	1308.91	1134.75	3.42	1.95	18.78	26.37	1136.39
22 Building Matls & Merchs(30)	1813.39	+1.3	1790.41	1783.52	1786.47	1842.99	4.45	2.82	9.97	42.27	958.68
23 Chemicals(26)	2656.19	+1.9	2606.70	2584.77	2579.71	2402.45	3.86	1.61	20.09	59.84	1322.74
24 Diversified Industrials(15)	1315.07	+0.1	1313.28	1296.65	1303.59	1513.43	5.87	1.97	11.20	39.67	780.98
25 Electronic & Elect Equip(37)	2095.04	+2.9	2038.95	1983.01	2002.72	2299.73	3.91	1.56	20.42	48.23	1138.86
26 Engineering(66)	2622.75	+1.5	2582.21	2570.27	2562.31	2431.09	3.20	2.33	16.77	47.44	1652.96
27 Engineering, Vehicles(13)	2960.59	+3.1	2871.46	2844.32	2820.40	3055.03	3.42	‡	‡	54.42	1583.74
28 Paper, Pckg & Printing(27)	2011.91	+3.0	1954.07	1933.30	1932.50	2596.65	5.25	1.80	13.23	61.08	880.92
29 Textiles & Apparel(14)	1007.86	-0.2	1010.20	1006.38	1011.15	1263.01	8.94	0.99	18.22	41.67	663.25
30 CONSUMER GOODS(84)	4705.02	+0.6	4676.73	4625.81	4631.44	3605.46	3.25	1.82	21.07	94.56	1819.58
32 Alcoholic Beverages(7)	3316.18	+0.4	3304.13	3299.54	3301.43	2799.21	3.80	1.96	16.57	90.38	1265.96
33 Food Producers(25)	3117.35	+1.4	3075.53	3060.24	3048.71	2511.12	3.53	1.86	18.96	69.99	1478.08
34 Household Goods(17)	3163.52	+0.9	3154.97	3163.43	3117.54	2559.01	3.20	2.32	16.87	54.28	1309.02
36 Health Care(14)	2268.79	+0.5	2256.64	2265.62	2255.87	2009.21	2.69	1.65	28.09	36.49	1425.05
37 Pharmaceuticals(18)	7763.69	+0.9	7717.72	7585.97	7617.11	5250.08	2.39	1.72	30.47	113.38	2728.39
38 Tobacco(3)	4232.52	-0.5	4251.68	4200.12	4211.48	4370.97	6.65	1.81	10.39	158.73	1129.43
40 SERVICES(272)	2727.92	+0.6	2711.19	2689.02	2694.39	2505.44	2.94	1.88	21.66	50.46	1474.39
41 Distributors(30)	2733.19	----	2733.10	2733.87	2734.06	2730.78	3.43	1.95	19.66	54.79	1048.59
42 Leisure & Hotels(31)	3230.52	+0.7	3208.39	3233.22	3228.06	3133.21	2.88	1.84	23.54	69.68	1793.71
43 Media(43)	4222.19	+2.2	4132.68	4069.31	4073.36	4174.23	2.37	1.92	27.44	71.72	1573.01
44 Retailers, Food(15)	2427.34	-0.7	2444.38	2384.74	2387.99	2025.19	3.42	2.26	16.19	47.61	1917.21
45 Retailers, General(53)	2197.17	+0.4	2188.74	2186.12	2189.52	2077.65	3.21	2.04	18.06	44.62	1311.18
47 Breweries, Pubs & Rest.(22)	3355.39	+0.2	3347.47	3353.77	3349.80	3099.04	3.38	2.29	16.19	62.74	1678.23
48 Support Services(55)	3017.54	+0.3	3008.09	2989.70	2996.86	2422.52	1.71	2.48	29.46	28.43	1966.99
49 Transport(23)	2846.70	+0.2	2840.82	2799.05	2832.37	2383.16	3.52	1.23	28.94	59.78	1242.90
60 UTILITIES(31)	3010.36	+0.1	3008.36	3013.53	3033.32	2331.50	4.69	1.50	17.78	51.56	1390.46
62 Electricity(9)	3310.75	-0.9	3331.39	3324.87	3349.29	2462.30	5.36	2.01	11.59	92.77	1870.61
64 Gas Distribution(2)	2250.83	+1.3	2222.23	2212.14	2205.41	1318.62	5.42	‡	‡	64.50	1274.43
66 Telecommunications(6)	2342.00	+0.5	2331.30	2352.29	2365.44	1971.03	3.78	1.69	19.55	10.90	1110.86
68 Water(12)	2837.61	-0.6	2854.32	2838.82	2886.19	2221.61	5.80	2.27	9.51	90.96	1899.19
69 NON-FINANCIALS(670)	2336.97	+1.1	2312.44	2287.26	2289.52	1893.47	3.48	1.83	19.59	44.63	1859.14
70 FINANCIALS(105)	4721.91	+1.2	4665.35	4616.72	4614.49	3062.33	3.08	2.92	13.90	91.28	2132.71
71 Banks, Retail(10)	7429.32	+1.6	7314.83	7253.88	7241.18	4371.12	2.79	3.35	13.39	128.43	2542.70
73 Insurance(17)	1812.43	+0.5	1802.57	1765.53	1779.14	1472.01	4.74	2.84	9.30	55.61	1449.46
74 Life Assurance(7)	4923.24	+0.2	4913.81	4775.40	4766.94	3480.34	3.56	2.28	15.44	121.00	2150.48
77 Other Financial(26)	3285.63	+0.7	3263.47	3262.34	3278.56	2538.36	3.20	1.99	19.67	68.75	1959.36
78 Property(43)	2013.94	----	2012.97	1994.40	1981.90	1696.35	3.26	1.32	29.15	35.24	1295.98
90 INVESTMENT TRUSTS(127)	3511.16	+0.7	3485.92	3482.47	3491.85	3127.30	2.19	1.17	49.40	45.09	1260.57
89 FTSE All-Share(902)	2339.74	+1.1	2314.74	2290.40	2291.97	1883.21	3.34	2.06	18.15	44.45	2072.88
105 FTSE All-Share ex IT(775)	2340.98	+1.1	2315.71	2290.64	2292.07	-	3.38	2.06	17.78	13.32	1066.64
FTSE Fledgling	1234.71	-0.1	1235.64	1237.85	1237.72	1220.89	3.29	0.92	41.26	24.34	1339.64
FTSE Fledgling ex IT	1229.97	-0.2	1232.40	1235.27	1234.80	1234.35	3.69	0.91	37.15	24.66	1335.64
FTSE AIM	1013.0	-0.1	1013.9	1016.7	1016.8	-	1.06	0.79	80.00†	4.62	929.25

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4965.6	4983.7	4997.1	5003.6	5004.1	5022.0	5024.5	5005.2	5022.9	5027.7	4965.6
FTSE 250	4501.9	4505.9	4506.7	4510.1	4512.3	4513.3	4514.0	4513.8	4516.3	4517.3	4501.9
FTSE 350	2375.7	2383.1	2384.5	2391.3	2391.7	2398.8	2399.6	2392.3	2399.4	2401.0	2375.7
FTSE SmallCap	2188.40	2188.76	2188.78	2189.00	2189.01	2189.04	2189.15	2188.76	2188.79	2189.40	2189.15
FTSE All-Share	2316.76	2323.60	2324.87	2331.05	2331.45	2337.68	2338.85	2331.86	2338.46	2339.95	2316.76

Time of FTSE 100 Day's high: 1:38 PM Day's low: 8:30 AM. FTSE 100 1997 High: 5026.2 (06/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 1:38 PM Day's low: 8:30 AM FTSE All-Share 1997 High: 2339.70 (06/08/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

1 Sector P/E ratios greater than 80 and net covers greater than 80 are not shown. ‡ Values are negative. Deletions: Goldsborough Healthcare (FTSE SmallCap & 36) and Argent Group (FTSE SmallCap & 79).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,800	458	-3
AMVESCAP	364	370	+1
ASDA Group†	16,400	145	-1¼
Abbey National†	2,200	842½	-11
Airtours	417	1220	+9½
Albert Fisher	378	43½	
Alliance & Leicester†	1,500	609	-2
Allied Domecq†	3,000	440	-3½
Anglian Water	278	781½	+2
Argos	881	635	+6½
Arjo Wiggins	2,200	174	+11½
Assoc. Brit. Foods†	1,500	526½	+6½
Assoc. Brit. Ports	366	296½	
BAA†	5,100	589½	-11
BAT Inds.†	7,200	505½	-9
BBA	1,500	361½	+6½
BICC	10,800	161½	
BOC†	1,300	1145	+19
BG†	7,100	246	+5½
BP†	14,200	891½	+50
BPB	856	344	+4½
BSkyB†	3,700	475	+17½
BT†	72,200	415½	-2
BTR†	14,900	186½	
Bank of Scotland†	2,100	440½	-1
Barclays†	6,400	1327½	+50
Bass†	2,200	848½	-2
Blue Circle†	8,600	410	+12½
Booker	950	316½	+4
Boots†	1,600	786	+15
Britannic	276	819½	+½
Brit. Aerospace†	2,100	1392½	+32
British Airways†	3,200	639½	+7
British Biotech	397	154	-2
British Energy	10,600	157½	-7
British Land†	972	602	-2
British Steel†	12,700	165½	
Burmah Castrol†	514	1078½	+11
Burton	3,400	129½	+¾
Cable & Wire†	2,700	597	+6
Cadbury Schweppes†	4,500	611½	+16
Caradon	4,000	197	-3½
Carlton Comms.†	3,600	500	+12
Centrica†	14,500	86½	-1¼
Coats Viyella	545	118½	+½
Comm. Union†	4,500	806	-33
Compass	1,700	610½	+½
Cookson	4,800	242½	+1
Courtaulds	1,600	314½	+½
Dalgety	2,600	244½	+12
De La Rue	1,700	407½	+21
Dixons†	2,000	599½	-1
EMAP	151	785	+1
EMI†	1,200	970½	-2
Electrocomps	770	456½	+4½
Energy Group†	1,700	621	
Enterprise Oil†	936	717	+14½
FKI	1,700	190	+7½
Foreign & Col. I.T.	1,100	177¼	+¾
Gen. Accident†	1,500	998½	
General Elect.†	10,400	378½	+6
Glaxo Wellcome†	6,200	1338	+74
Glynwed	2,200	223½	+8
Granada†	4,200	819½	-4
Grand Met.†	2,400	593½	+2½
GUS†	3,700	632	+4½
Greenalls	596	434	-3
GRE†	2,300	293	-3
GKN†	2,300	1156	+70
Guinness†	6,400	590	+6
HSBC (75p shs)†	4,900	2308½	+57½
Halifax†	8,700	736½	-1½
Hammerson	2,500	498½	-1½
Hanson†	1,100	313½	+6½
Harrisons Crosfield	1,300	108½	+6
Hays†	265	584½	+9
Hillsdown	8,700	159	-1
Hyder	367	822½	-6½
IMI	142	341	+1
ICI†	4,200	1062½	+34½
Imperial Tobacco†	980	361½	+1½
Inchcape	735	286	-2
Johnson Matthey	620	598	+4
Kingfisher†	1,200	710	+1
Ladbroke†	3,000	258½	+4
Land Securities†	521	940	+2½
Laporte	564	659½	+22½
Legal & General†	3,000	447	-6½
Lloyds TSB†	8,600	767	+6½
LASMO†	2,000	283½	+3½
Lonrho	1,800	125	
LucasVarity†	11,800	197	+3
MEPC	929	494½	+1
MFI	2,600	145½	-2
Marks & Spencer†	2,600	591	+4
Mercury Asset Man†	357	1302½	+5
Morrison (Wm.)	581	184	+2½
NFC	896	159	+2½
NatWest Bank†	7,800	840½	+5½
National Grid†	3,100	254	-1½
National Power†	4,200	524	-15
Next†	1,300	756	-2½
Northern Foods	847	224½	+2
Norwich Union	12,600	362	
Orange†	2,300	210½	+2
Pearson†	5,400	771	+31
P & O†	1,200	631	+1½
Pilkington	6,200	139½	-2
PowerGen†	1,100	705	-5
Premier Farnell	1,800	532½	+2
Provident Financial	2,400	582½	
Prudential†	6,200	616½	+6½
REXAM	2,300	282½	+18
RMC†	396	1007½	+29
Racal	360	223½	-1½
Railtrack†	1,900	730	+21½
Rank Group†	2,600	370½	+3
Reckitt & Colman†	1,200	996	+13½
Redland	132	287½	-1
Reed Intl.†	6,600	630	+18½
Rentokil Initial†	6,700	218½	+3
Reuters†	6,100	686½	+22½
Rio Tinto†	3,700	1011½	+21
Rolls Royce†	11,200	243	+5½
Royal & Sun Alliance†	5,100	522½	+3
Royal Bk Scotland†	2,700	649	-1½
Safeway†	5,600	362	-1½
Sainsbury†	2,800	439½	-2
Schroders†	448	1857½	+46
Scottish & New.†	1,600	732½	+13½
Scot. Hydro-Elect.	296	436	
Scottish Power†	1,600	436	-1
Sears	1,400	61½	+1½
Securicor	3,100	275½	
Severn Trent†	2,000	897½	-15½
Shell Transport†	37,000	473	+13
Siebe†	1,800	1117½	+23
Slough Ests	898	314	+4
Smith (W.H.)	1,700	354	+6
Smith & Nephew	3,300	175	+1½
SmKl Beecham†	5,700	1136	+17
Smiths Inds.†	668	831½	+17
Southern Elect.	117	448	+3
South West Water	496	746	-2
Stagecoach	968	691½	-6½
Standard Chartd.†	7,700	1038	+32½
Storehouse	11,600	213	-2
T&N	2,200	142½	
TI Group†	2,800	574½	+20
Tarmac	493	119	-1
Tate & Lyle†	2,600	403½	-2
TeleWest Comms	3,400	82½	-8½
Tesco†	8,400	388	-9
Thames Water†	1,900	774½	-6½
Thistle Hotels	1,100	141½	+3½
Thorn	2,100	159½	-2
Tomkins†	1,800	373	+5
Unigate	1,200	554	+2
Unilever†	1,500	1864	+63½
United Assurance	498	494	+3
United Biscuits	1,600	243	+1½
Utd. News & Media†	1,800	697½	-1
United Utilities†	1,700	684	-5½
Vodafone†	10,700	312½	+6
WPP	2,900	261½	-1½
Wessex Water	415	462½	-1½
Whitbread†	1,200	847	-1
Williams	2,000	337½	+6
Wolseley†	2,300	461	+5
Woolwich	8,600	297	+5
Yorkshire Water	192	456½	+6
Zeneca†	2,200	2048½	+5

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † indicates an FTSE 100 index constituent. All shares are rounded. Source: Extel, part of FT Information.

[redacted]

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WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Dow Jones	Aug 5	Aug 4	Aug 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8187.54	8198.45	8194.04	8254.89 (30/7)	6391.69 (11/4)	8254.89 (30/7/97)	41.22 (8/7/32)
Home Bonds	104.32	104.13	104.42	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2991.11	2976.49	2951.30	2992.11 (31/7)	2222.07 (2/1)	2992.11 (31/7/97)	13.23 (8/7/32)
Utilities	233.21	232.90	233.49	240.85 (22/1)	209.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8251.88 (8261.40) Low 8129.93 (8097.65) (Theoretical♦)
Day's high 8209.14 (8218.11) Low 8162.45 (8134.11) (Actual♦)

Standard and Poors	Aug 5	Aug 4	Aug 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	952.37	950.30	947.14	954.29 (31/7)	737.01 (2/1)	954.29 (31/7/97)	4.40 (1/6/32)
Industrials♥	1122.09	1117.84	1112.26	1123.60 (5/8)	865.42 (11/4)	1123.60 (5/8/97)	3.52 (30/6/32)
Financial	109.13	108.85	110.21	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	492.96	491.93	490.98	494.50 (31/7)	389.47 (11/4)	494.50 (31/7/97)	4.64 (25/4/42)
Amex Comp	650.65	646.59	644.19	650.65 (5/8)	541.20 (28/4)	650.65 (5/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1621.53	1605.44	1594.33	1621.53 (5/8)	1201.00 (2/4)	1621.53 (5/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 1	Jul 25	Jul 18	Year ago
Dow Jones Ind. Div. Yield	1.58	1.60	1.64	2.20
	Jul 30	Jul 23	Jul 16	Year ago
S & P Ind. Div. yield	1.48	1.50	1.50	2.10
S & P Ind. P/E ratio	26.05	25.77	25.78	21.35

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron Tc	10,853,014	56¼	+4¼
US West Md	9,597,648	23⅞	+⅛
Enserch Ex	8,161,100	8	-1⅞
AT & T	6,719,745	38¼	+⅝
Seagate Tc	6,247,409	44⅞	+3
ColumbiaH	6,235,745	33¾	+½
Weston Dig	5,845,557	45½	+5¾
Mirage Res	5,121,236	28¼	+2¼
Aetna Inc	4,970,700	102¾	-14¼
Boeing Co	4,525,682	58⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 5	Aug 4	Aug 1
New York SE	525.662	455.985	547.874
Amex	24.003	21.183	237.369
NASDAQ	743.755	602.893	593.303
NYSE			
Issues Traded	3,410	3,395	3,388
Rises	1,605	1,490	1,049
Falls	1,240	1,369	1,835
Unchanged	565	536	504
New Highs	302	218	213
New Lows	22	17	10

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	956.00	957.05	+0.55	957.25	954.75	43,082	177,526
Dec	-	966.85	-	-	963.50	166	6,019

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	19550.0	19750.0	+310.0	19770.0	19250.0	25,643	178,047
Dec	19450.0	19580.0	+190.0	19580.0	19310.0	736	3,970

Open interest figures for previous day.

GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. The day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

INDEX FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 6, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Daiwa Bank	5.8m	573	+13	Matsushita E Ind	4.6m	2420	+10
Nomura Secs	5.6m	1680	+50	Yamaichi Secs	4.2m	252	-4
Sakura Bank	5.3m	719	+25	Fuji bank	4.2m	1510	+60
Hitachi	4.8m	1340	+10	NEC Corp	4.0m	1660	-20
Fujitsu	4.7m	1710	+10	Sumitomo Bank	3.6m	1850	+80

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close August 6

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38 7/16	24 1/4	AAR x	0.48	1.4	27	438	35 5/8	35 3/8	35 7/16	+3/16
53 3/4	33 1/8	AMP x	1.04	2.0	44	4723	53 7/16	52 1/4	53 1/16	-1/8
109	78 1/4	AMR			0	2923u	108 13/16	108 3/8	109 13/16	+1 3/16
37 5/8	29 1/2	ASA	1.20	3.9	20	219	30 1/8	30 7/16	30 1/2	+1/8
68 15/16	49 3/4	AbbtL x	1.08	1.7	22	9063	63 1/2	63	63 3/16	-1/4
20 1/2	14 1/8	Abitibi	0.40	2.0	10	269	20	19 13/16	19 15/16	-3/16
24 3/8	17 3/8	ABM Ind x	0.40	1.6	22	123	u24 1/4	24 1/16	24 1/4	+3/16
24 1/8	17 3/4	Acpinsula			11	891	23 1/2	22 7/8	23	
86 7/16	58 1/8	ACE Ltd	0.88	1.6	11	378	84 5/8	82 1/2	84 3/8	+1 3/16
10 3/4	10	ACM Gvt In x	0.50	6.6	11	362	10 1/2	10 7/16	10 7/16	-1/8
0	7	ACM GvOpp x	0.63	8.1		123	7 13/16	7 3/4	7 13/16	
10 3/16	9 1/4	ACM Man x	0.90	0.9		638	10 1/16	10	10 1/16	-1/8
19 1/4	6 1/8	Acme Elect				26	9 7/16	6 3/8	6 5/8	-1/8
20	13	Acme Mills				92	15 3/4	15 1/4	15 1/4	+1/16
22 11/16	18	ACNielsen			30	072	22	21 3/4	21 3/4	-1/4
29 3/4	19 1/8	Acuson				754	26 7/16	25 7/8	26	
24 3/8	10 3/8	Adams Expr	0.55	2.3	1	231	24 3/16	24 3/16	24 1/4	
48 1/2	24 7/8	AdvMic				14377	39 1/4	31 3/4	36 1/16	-1/4
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	229	22 13/16	22 7/16	22 13/16	-7/16
10 3/8	11 3/8	Advo Inc			10	72	a18 13/16	18 5/8	18 3/4	+1/8

[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on next page

NYSE PRICES

4 pm close August 6

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close August 6

AMEX PRICES

4 pm close August 6

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		13888	8.25	3	Lernout & Hauspie	US$29.875	-0.25	13150	34	25
Artwork Systems	US$9.375		12000	11.125	9.375	Mercer Int'l	US$9.875	-0.125	10000	11.75	8.125
Chemunex	FFr11.5		0	18	11.5	NTL	US$22.75	+0.375	0	25.125	21.625
Dobbair Holdings	GBP6.45	-0.1	73250	6.95	4.5	PaTech	US$3.75		1700	6.125	3.75
Dr Solomon's ADS	US$28	-0.125	0	28.375	16.875	Schoeller-Bleckmann	Sch1245	+20	5240	1245	900
EDAP TMS	US$8.5	+0.125	5800	9.125	8.375	Topcall Int'l	Sch3323	-2	280	3363	3065
Esprit Telecom ADS	US$6	-0.25	3100	12.25	5.375	Turbodyne Technol.	US$3.08	-0.02	11400	3.88	3.85
Innogenetics	US$18.625	+0.125	130320	12.75	10.125						

Prices for 6/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9980).

★ FINANCIAL TIMES Thursday August 7 1997

Dow moves higher as bonds advance

AMERICAS

US stocks made a firm start as bonds moved higher in anticipation of Treasury auctions later in the day, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average was up 44.83 at 8,232.37. The broader S & P 500 index also increased 5.72 at 958.09 and the technology-rich Nasdaq composite index rose 8.54 to 1,630.07.

"It's a moderately good advance, with the Dow looking better than the rest of the market," said Mr Richard McCabe, chief market analyst at Merrill Lyncb. "Witb 1,600 stock issues advancing and about 1,000 declining, the breadth is not spectacular," be added.

Gains among Treasury prices helped to lift the Dow. As the bond market awaited the auction of $12bn in 10-year notes, the midday long bond price was 1/32 higher at 101 19/32, sending the yield downward to 6.472 per cent.

Rising bonds belped tbe banking sector. The Philadelpbia Stock Excbange's BKX index of 24 banking stocks gained 11.10 or 1.59 per cent at 710.32. Among the biggest gainers were Citicorp, up $4 1/16 at $139 3/16, and Chase Manhattan, which added $2¾ at $112 3/16.

Further gains in honds could keep stock prices rising higher. "If the long bond yield reaches 6.32 per cent you can bet we'll see an intra-day high in the Dow of at least 8,300 points," said Mr Jack Baker, the bullish bead of stock trading at Furman Selz.

Among technology companies, IBM added $1 13/16 at $108¼ and Dell Computer gained $2⅛ at $83⅞.

TORONTO moved higher in morning trading, helped by the firm start on Wall Street and a rally for bank shares following a broker upgrade for Royal Bank of Canada. At noon, tbe 300 composite index was up 36.52 at 6,929.60.

Banks had a strong morning following an upgrade from "neutral" to "outperform" for Royal Bank of Canada hy Morgan Stanley. The shares jumped C$1.10 to C$67.10. Toronto-Dominion Bank gained 65 cents to C$44.45.

Alcan Aluminium improved 40 cents to C$54.50 and Seagram gained 55 cents to C$52.80 following a positive note from Lehman Brothers ahead of the next week's full-year results from the drinks and entertainment giant.

Golds rallied as bargain bunting set in on the back of Tuesday's steep falls. Barrick rose 50 cents to C$30.90 and Placer Dome gained 30 cents to C$23.45.

SAO PAULO pushed ahead strongly after comments about sector privatisation by tbe communications minister sparked a rally for the telecoms sector. Telebras jumped 3.6 per cent to R$151.20 while Telesp, the *Telebras unit* serving tbe Sao Paulo area, advanced 2.5 per cent to R$350.40.

At midseasion, tbe Bovespa index was up 308 or 2.6 per cent at 12,217.

SOUTH AFRICA

Optimism about the prospects for lower Interest rates fuelled bnllisb sentiment on the Johannesburg *stock exchange, lifting the* all share index 54.1 to 7,546.8.

Gold shares weathered an overnight fall in hullion, belped by the weak rand, with the gold index ticking up 2.5 to 956.5.

Tbe indnstrial index, which was boosted by offshore deals, added 64.1 to a new high of 9,247.1. Foreign interest in diversified industrial company Barlow and *fuels firm Sasol took turnover* to an above average R1.1bn.

Paris climbs back above 3,000 level

EUROPE

Shares in **PARIS** moved *ahead strongly. Wall Street* opened firm and fears that the Bundesbank might raise interest rates receded following the release of German unemployment figures.

Equities took their cue from the bond market, whicb moved up in sympathy with German bunds. The CAC 40 index clawed back abova the 3,000 level to close 52.99 or 1.8 per cent higher at 3,037.09.

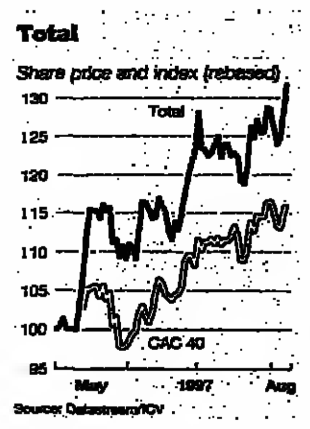
Oil shares were sharply higher in response to Tuesday's upbeat second-quarter earnings report from Britisb Petroleum. Elf Aquitaine advanced FFr20 to FFr693 and Total gained FFr32 or 5.3 per cent to FFr636.

Banks' shares chalked up healtby gains following renewed talk thet Deutscbe Bank was casting around for a Frencb acquisition. BNP added 5.5 per cent to FFr290, CCF was up 4.6 per cent to FFr322 and Paribas climbed 2.9 per cent to FFr455.

FRANKFURT traded narrowly in modest volume and at the close of electronic trading the Dax index was 38.39 higher at an Ibis-indicated 4,364.25. The floor trading close was 4,335.39 and the day's trading range just 72 points.

Sentiment improved thanks to a better day for *the bond market, which ral*lied modestly following the latest German jobless figures, but there were precious few features for traders to get their teeth into.

Total



Source: Datastream/ICV

Top of the range results from sports shoe-maker Adidas boisted the shares by DM2.00 to DM218. The company meets with analysts today and there were signs that some brokers were considering earnings upgrades.

Daimler-Benz bardenad 10pfg to DM148.50 after Mercedes-Benz of Nortb America reported a 10.2 per cent volume gain in July. Volkswagen added DM7.50 to DM1,364, but BMW retreated DM22.50 to DM1,439.

AMSTERDAM rose as good profit reports and a turnaround in the bond market boosted sentiment. The AEX index gained 13.30 to *992.89, with KLM one of the* star performers. The airline added 5 per cent to Fl 79.90 on "buy" recommendations from brokers after its strong *first-quarter results on Tues*day.

Royal Dutch Patroleum rose Fl 1.30 to Fl 120.20 ahead of its second-quarter results today, helped by good results from BP on Tuesday.

Hoogovens had a volatile day, attracting beavy buying before its results, only to reverse the gains later in the day. The steel company hit a high of Fl 142.30, but ended the day at Fl 132.80, a drop of Fl 3.20.

The turnaround in the bond market boosted financial shares, with ABN Amro adding Fl 1.70 to Fl 48.90.

ZURICH had another fairly volatile session, hut closed towards the top of the day's trading range with the SMI index up at 5,812.1.

ABB added SFr45.00 to SFr2,214 ahead of today's results statement. SAirGroup gained SFr64 to SFr1,984 on news that Swiss-Air would start serving Mexico City later this month following a code sharing deal with Aerovias de Mexico.

MILAN swung back on to the upside, belped by a futures-led aurge towards the close of trading. Italian eqnities have come in for something of a reappraisal lately.

Credit Lyonnais Securities upgraded the Milan to mar*ketweight in its recent stra*tegic review. The Mihtel real-time index ended 367 or 2.6 per cent higher at 14,691. Foods leader Parmalat rose L97.00 to L2,600 after CSFB initiated coverage of the shares with a "buy" recommendation.

STOCKHOLM closed at a record high on the back of a surga in telecoms group Ericsson. The general index was up 2 per cent to 3,226.66 in fairly good turnover. Ericsson, wbicb leapt Skr13.50 to Skr369, benefited from the strong dollar. There was said to be keen buying interest from the US.

Electrolux, the appliance group, released better than expected results, but nevertheless shed Skr4.00 to Skr611.

HELSINKI rose on the *back of demand for Nokia* shares as brokers issued upgrades after the telecoms company's half-year earnings report on Monday. The HEX general index climbed 40.05 to 3,644. Nokia A closed up FM6.00 at FM487.50, recovering from a brief bout of profit-taking after Monday's aligbtiy higher than expected half-year earnings.

BUDAPEST continued to push ahead strongly, hitting its third record high in a row. The BUX index closed np 315.66 at 8,483.79 for a gain this week of more than 6 per cent. Brokers reported heavy foreign flows with many foreign fund managers said to be switching out of tbe Czech Republic and Poland abead of next month's general election.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — European series

August 6

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	1007.29	+1.02	+10.13	2.28	0.00	1007.47
FTSE Eurotop 100	2338.78	+1.16	+26.91	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1011.96	–0.20	–2.07	3.31	0.00	1012.40
300 Ex-UK	1004.58	+1.73	+17.10	1.70	0.00	1004.61
300 Eurobloc	1006.32	+1.68	+16.67	1.86	0.00	1006.37
300 Ex-Eurobloc	1007.98	+0.54	+5.41	2.58	0.00	1008.25
FTSE Eurotop 300 Economic Groups						
Resources	1054.04	+2.07	+21.39	2.66	0.00	1054.04
General Industries	1021.06	+1.81	+18.20	1.95	0.00	1021.08
Consumer Goods	994.93	+0.57	+5.67	1.69	0.00	995.32
Services	990.64	–0.01	–0.06	2.28	0.00	991.30
Utilities	981.66	+0.54	+5.29	3.29	0.00	981.86
Financials	1004.13	+0.91	+9.05	2.31	0.00	1004.21

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Poland hit by currency and poll doubts

Polish shares gained ground for the third day running yesterday, hnt Warsaw remains the second worst performing stock market in eastern Europe this year, *writes Jeffrey Brown.*

The past seven months have seen the Wig index slide hy some 13 per cent in dollar terms to sit uncomfortably alongside the Czecb Republic (down 24 per cent) at the very bottom of tbe performance charts.

It's all a far cry from the beady gains achieved elsewbere in the region, notably Russia, whicb has surged 150 per cent this year; and the share weakness stems directly from Poland's rampant consumer boom, ballooning trade deficit and consequent currency worries.

Witb consumer spending growing by around 6.5 per cent this year, imports are being sucked at a voracions rate. On present course, the current account deficit is widely expected to get close to 5 per cent of GDP this year and top 7 per cent for 1998.

As a result, the zloty has been slipping down the foreign exchanges and, on some broker estimates, remains severely overvalued - by possibly 10 per cent against the dollar and by np to 20 per cent against the D-mark.

Foreigo investors have retreated from the Polish stock market in droves. And the looming general elections – Poies go to the polls on September 21 – have only added to the uncertainty.

The central bank has hinted at a hike for interest rates, and fiscal tightening by whatever government gets into power after the election is something that most analysts have pencilled in.

Thus the outlook for the share market is likely to remain uncertain until well into 1998.

Emerging markets: IFC weekly investable price indices

		Dollar terms			Local currency terms		
Market	No. of stocks	Aug 1 1997	% Change over week	% Change on Dec '96	Aug 1 1997	% Change over week	% Change on Dec '96
Latin America	(247)	706.89	+0.5	+42.8			
Argentina	(30)	1,210.01	-0.8	+27.3	742,064.90	-0.8	+27.3
Brazil	(68)	604.46	-1.7	+52.5	2,449.19	-1.6	+59.0
Chile	(46)	808.73	-0.8	+30.4	1,351.59	-0.5	+28.2
Colombia[1]	(14)	827.11	-0.3	+30.6	1,631.27	+0.4	+44.6
Mexico	(63)	780.51	+5.1	+47.4	2,631.42	+5.8	+46.4
Peru[2]	(17)	236.38	-3.3	+20.1	383.22	-3.3	+22.7
Venezuela[3]	(9)	1,043.53	-2.8	+43.3	11,902.11	-2.5	+49.3
Asia	(709)	232.59	-0.1	-8.0			
China[4]	(27)	95.14	+7.2	+29.1	99.56	+7.2	+28.8
South Korea[5]	(156)	80.94	-0.7	+4.8	94.63	-1.0	+10.2
Philippines	(42)	215.88	+1.3	-26.5	304.77	+3.5	-18.3
Taiwan, China[6]	(90)	199.43	-2.1	+30.1	215.32	+0.7	+36.1
India[7]	(77)	108.72	+3.3	+38.0	138.14	+3.5	+37.8
Indonesia[8]	(49)	123.66	+1.6	-3.1	175.73	+1.8	+7.3
Malaysia	(148)	260.81	-2.5	-22.5	253.93	-2.9	-18.1
Pakistan[9]	(28)	299.42	-3.8	+53.0	552.43	-3.8	+54.5
Sri Lanka[10]	(5)	153.45	+2.5	+61.4	197.30	+2.7	+67.7
Thailand	(87)	142.03	+1.3	-35.8	180.27	+1.0	-20.0
Euro/Mid East	(266)	160.47	-0.2	+19.5			
Czech Rep	(7)	56.23	+1.1	-19.9	64.89	+2.4	+2.2
Egypt	(16)	94.42	+0.7	-	94.25	+0.7	-
Greece	(54)	341.39	-2.0	+40.8	669.24	-1.2	+65.3
Hungary[11]	(12)	301.69	+2.8	+53.1	718.82	+3.7	+87.9
Israel	(40)	131.23	+0.8	+31.2	143.04	+0.5	+43.0
Jordan	(7)	212.01	+0.9	+13.6	316.62	+0.9	+13.5
Morocco	(5)	121.03	+0.3	-	131.39	+0.8	-
Poland[12]	(31)	607.90	-1.0	-17.0	1,327.79	-0.1	+0.7
Portugal	(29)	190.33	+0.5	+30.2	245.60	+1.7	+57.5
Russia	(15)	182.55	+1.4	-	188.35	+1.4	-
Slovakia	(5)	91.32	+1.8	-	98.28	+2.4	-
South Africa[13]	(63)	234.85	-1.1	+12.6	224.68	+0.4	+11.5
Turkey[14]	(58)	219.89	+3.0	+47.8	16,686.04	+4.8	+118.9
Zimbabwe[15]	(5)	668.46	+2.4	+41.2	1,145.90	+3.6	+51.8
Composite	(1222)	336.99	-0.2	+14.2			

Indices are calculated at end-week: weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 5 1997								MONDAY AUGUST 4 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	236.09	0.3	215.09	177.77	230.63	212.27	0.1	3.56	235.46	214.06	175.95	228.16	211.98	243.87	187.46	187.73
Austria (25)	187.11	–1.7	179.57	148.41	192.55	192.43	–0.9	1.71	200.49	182.27	149.81	194.27	194.16	206.00	174.70	179.05
Belgium (29)	238.72	–1.8	217.48	179.75	233.20	228.42	–0.8	2.99	242.50	220.55	181.28	235.08	230.15	261.11	213.92	217.11
Brazil (30)	285.92	–0.8	260.40	215.22	278.21	570.31	–0.8	1.29	288.55	262.33	215.62	278.81	575.27	322.44	172.54	178.94
Canada (127)	223.68	0.8	203.78	168.43	218.51	223.65	0.9	1.63	221.99	201.81	165.88	215.11	221.73	223.88	156.66	158.85
Denmark (32)	381.59	–1.6	347.65	287.33	372.78	371.71	–0.8	1.37	387.75	352.51	289.75	375.73	374.58	421.25	311.03	312.67
Finland (28)	304.38	–1.7	277.30	229.18	297.33	357.34	–1.1	1.54	309.81	281.47	231.35	300.01	361.14	314.06	197.20	198.05
France (83)	223.01	–1.2	203.17	197.92	217.85	221.69	–0.3	2.37	225.79	205.27	168.72	218.80	222.65	237.57	187.30	192.46
Germany (59)	226.73	–0.6	206.56	170.72	221.40	221.48	0.2	1.29	228.02	207.30	170.39	220.96	220.95	238.42	172.93	174.14
Hong Kong, China (66)	567.06	1.0	516.62	426.88	553.94	563.53	0.8	2.72	561.62	510.58	418.87	544.22	558.28	567.06	421.41	426.11
Indonesia (27)	225.74	–1.0	205.66	169.98	220.52	360.76	–1.0	1.90	228.04	207.32	170.41	220.98	364.43	254.90	183.62	197.43
Ireland (17)	368.26	–0.4	335.50	277.29	359.74	361.72	0.4	2.70	369.60	336.01	276.18	358.14	360.43	374.84	280.72	281.63
Italy (53)	95.46	–1.8	86.97	71.88	93.25	131.02	–1.1	1.81	97.23	86.40	72.66	94.22	132.48	105.78	73.26	77.84
Japan (485)	128.96	–1.4	117.49	07.11	125.98	97.11	–0.7	0.81	130.81	118.92	97.75	126.76	97.75	150.97	107.57	150.97
Malaysia (107)	436.13	–3.8	397.33	328.39	426.04	443.85	–3.4	1.56	453.69	412.46	339.02	439.63	459.63	660.85	436.13	544.22
Mexico (27)	1848.20	1.1	1684.71	1392.39	1806.42	15779.29	0.7	1.42	1829.49	1663.22	1367.06	1772.80	15669.06	1849.20	1136.59	1214.20
Netherlands (19)	420.80	0.0	383.37	318.85	411.07	406.38	0.8	1.92	420.75	382.52	314.41	407.72	403.14	426.88	295.84	297.44
New Zealand (14)	91.29	–0.5	83.17	68.74	89.18	75.11	–0.8	3.87	81.73	83.40	68.55	88.89	75.72	96.47	80.77	83.50
Norway (41)	319.03	0.0	290.65	240.22	311.65	335.51	0.8	1.83	318.91	289.93	238.31	309.03	332.71	326.60	248.29	247.97
Philippines (22)	150.40	3.1	137.02	113.25	146.92	215.11	1.3	0.85	145.87	132.62	109.00	141.35	212.27	214.07	138.54	205.81
Singapore (42)	370.40	–1.3	337.45	278.90	361.83	251.17	–1.0	1.21	375.32	341.21	280.46	363.69	253.73	448.01	360.08	395.59
South Africa (44)	353.92	0.8	322.44	266.49	345.73	359.82	0.8	2.42	350.86	318.98	262.18	339.99	356.91	370.12	301.49	343.51
Spain (33)	236.77	–0.5	215.71	178.28	231.30	284.92	0.5	2.33	237.87	216.25	177.75	230.50	283.63	278.05	173.01	190.10
Sweden (49)	491.75	0.2	448.01	370.27	480.37	587.54	0.8	1.78	490.55	445.97	366.58	475.35	583.28	511.95	350.96	352.09
Switzerland (33)	304.27	–0.8	277.21	229.11	297.24	289.28	–0.1	1.16	306.16	278.33	228.78	296.67	289.55	329.59	231.69	246.08
Thailand (42)	60.38	–3.0	55.01	45.46	58.98	74.64	–2.5	4.12	92.21	56.56	46.49	60.29	76.54	151.74	47.55	151.74
United Kingdom (213)	315.87	1.0	287.77	237.84	308.56	297.77	1.2	3.49	312.75	284.32	233.70	303.06	284.32	325.28	235.89	236.78
USA (640)	386.62	0.3	352.23	291.12	377.68	386.62	0.3	1.60	385.57	350.53	288.12	373.63	385.57	387.12	264.75	268.69
Americas (824)	353.51	0.3	322.07	266.18	345.34	297.71	0.3	1.59	352.50	320.46	263.41	341.58	296.84	354.10	242.47	245.48
Europe (714)	274.05	–0.1	249.68	206.36	267.71	268.03	0.5	2.40	274.32	249.39	204.98	265.82	266.80	284.44	211.05	211.79
Nordic (150)	418.69	–0.3	381.44	315.26	409.00	439.54	0.3	1.68	420.10	381.92	313.92	407.09	438.36	437.88	303.58	304.54
Pacific Basin (881)	148.27	–1.1	135.08	111.64	144.64	112.26	–0.5	1.29	149.91	136.29	112.02	145.27	112.86	163.63	127.18	163.63
Euro-Pacific (1595)	200.78	–0.5	182.92	151.18	196.13	170.75	0.0	1.92	201.85	183.50	150.83	195.59	170.70	209.12	173.55	183.58
North America (767)	376.53	0.8	343.03	283.51	367.82	375.75	0.3	1.90	375.42	341.30	280.53	363.78	374.63	376.90	258.56	261.91
Europe Ex. UK (501)	245.54	–0.7	223.70	184.88	239.86	250.23	0.0	1.77	247.31	224.83	184.80	239.65	250.15	256.73	191.01	193.04
Pacific Ex. Japan (396)	312.63	–0.2	284.82	235.40	305.40	280.41	–0.2	2.88	313.17	284.71	234.02	303.47	280.87	320.65	280.02	281.25
World Ex. US (1823)	205.35	–0.4	197.08	154.92	200.60	177.93	0.1	1.90	206.25	187.51	154.12	199.86	177.79	212.89	176.94	184.74
World Ex. UK (2250)	258.29	–0.2	235.32	194.49	252.32	232.73	0.1	1.56	258.84	235.32	193.42	250.92	232.60	262.69	204.12	208.12
World Ex. Japan (1978)	331.64	0.1	302.14	249.71	323.95	326.86	0.3	1.92	331.15	301.08	247.46	320.90	325.82	334.83	242.70	243.42
The World Index (2463)	263.27	–0.1	239.85	198.23	257.18	237.94	0.2	1.75	263.52	239.57	196.91	255.35	237.54	267.21	207.84	210.65

CONSTITUENT CHANGE WITH EFFECT 6/8/97: Deletion: Enserch Corp. (USA) CONSTITUENT CHANGE WITH EFFECT 7/8/97: Deletion: Norsm Energy Corp (USA) Latest prices were unavailable for this edition.

Hong Kong buoyed by property shares rush

ASIA PACIFIC

Property fever grlpped **HONG KONG**, lifting shares to s record high in best ever volume. Tbe Hang Seng index ended 170.08 or 1 per cent higher at 16,541.60 after touching 16,600.59. Turnover was HK$31.8bn.

Properties were the main movers, with investors buying in anticipation of broker asset value upgrades and witb Mr Li Ka-shing's investment in Hongkong Land seen as a big vote of confidence for tbe office property market.

Cheung Kong rose HK$4.50 to HK$92.00 and Sun Hung Kai Properties HK$1.00 to HK$106.50. Henderson Land gained HK$2.25 to HK$76.25.

Among smaller caps, Amoy Properties jumped 75 cents or 8.3 per cent to HK$9.50.

SINGAPORE closed higber, with the Jardine group dominating activity on takeover talk following stake building by Mr Li Ka-sbing, the Hong Kong tycoon. Hongkong Land rose 28 cents to US$3.40 for a two-day advance of more than 33 per cent. The Straits Times index ended 6.91 higher at 1,958.62.

TOKYO advanced for the first time in four trading days, ending modestly higher on the revival of blue-chip exporters. Market sentiment, bowever, remained uncertain and declines outnumbered advances, *writes Gwen Robinson.*

The Nikkei 225 average gained 187.62 to 19,702.07 after moving between 19,233.12 and 19,703.57.

Stock prices tumbled in early trading on heavy selling linked to the slide in Nikkei index futures. There was bargain-bunting among leading blue chips during the afterooon session.

Volume eased to an estimated 392m. Declines led advances 586 to 521 with 152 unchanged. The Topix index of all first-section stocks rose 20.50 to 1,507.63 and the capital-weighted Nikkei 300 was up 4.77 at 1,507.63.

The market appeared unaffected by the partial suspension of business at Nomura Securities. Among other penalties, the scandal-hit broker has been barred from making stock-related transactions in its own account. Nomura rose Y50 to Y1,680. Yamaichi Securities, under investigation for involvement in the same scandal, fell Y4 to Y252 while Nikko Securities sdded Y9 at Y634.

Banks advanced across the board. Industrial Bank of Japan rose Y80 to Y1,660. Daiwa Bank gained Y13 to Y573 and Dai-Ichi Kangyo Bank, which is also being investigated in the Nomura scandal, gained Y70 to Y1,520.

Blue-chip electricals and bigb-tecbnology stocks recovered their recent momentum. Nikon rose Y150 to Y2,270, Canon Y70 to Y3,590 and TDK Y170 to Y9,990. In semiconductor-related issues, Advantest gained Y700 to Y11,500 and Tokyo Electron Y260 to Y7,300. NEC fell Y20 to Y1,660.

In Osaka, the OSE average rose 157.99 to 20,388.81 and volume eased to 19m shares.

BANGKOK was hit by concerns over Thailand's fragile financial system after the government suspended 42 cash-strapped finance companies.

The SET index shed 13.15 or about 2 per cent to 635.32.

Brokers said there was a run on small banks as depositors were worried they would not get their money back after the suspension.

The government tried to calm fears, and warned commercial banks against trying to attract new deposits away from finance companies by exaggerating their problems.

Market sentiment was also knocked by the disclosure that the government had spent Bt430bn propping up financial companies.

JAKARTA fell sharply on tighter monetary policy and poor first-half results from some blue-chip companies.

The composite index was down 14.02 to 699.86 in modest volume.

The Indonesian central bank's monetary tightening, aimed at protecting tha rupiah from speculative attacks, prompted banks to increase interest rates.

KARACHI notched up a 2.37 per cent rise on heavy foreign buying.

The Karachi 100-index gained 46.47 to breach the 2,000 level at 2,010.68.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 07.08.97 — Final Prices for Trading on 10.07.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TSP use of system price £/MWh
0030	12.26	12.24	12.54	1.22
0100	10.27	10.00	10.00	0.00
0130	10.26	10.00	10.00	0.00
0200	10.28	10.00	10.00	0.00
0230	10.26	10.00	10.00	0.00
0300	10.26	10.00	10.00	0.00
0330	10.26	8.20	8.20	0.00
0400	10.15	9.20	9.20	0.00
0430	10.16	9.20	9.20	0.00
0500	10.26	9.20	8.20	0.00
0530	10.17	9.20	9.20	0.00
0600	10.26	9.20	9.20	0.00
0630	10.27	10.02	10.02	0.00
0700	15.32	10.10	10.10	0.00
0730	15.62	12.37	12.67	1.22
0800	15.65	17.17	17.47	1.22
0830	16.00	16.03	16.35	1.22
0900	16.45	18.68	19.08	1.22
0930	17.31	19.02	19.50	1.22
1000	17.44	19.31	19.86	1.22
1030	17.44	19.53	20.14	1.22
1100	17.44	19.67	20.32	1.22
1130	17.44	19.93	20.64	1.22
1200	17.44	18.96	20.67	1.22
1230	17.44	18.72	20.38	1.22
1300	17.44	18.24	19.78	1.22
1330	17.31	17.89	18.42	1.22
1400	17.28	17.84	18.24	1.22
1430	16.65	17.78	18.16	1.22
1500	16.65	17.74	18.11	1.22
1530	16.65	17.71	18.07	1.22
1600	16.65	17.77	18.14	1.22
1630	16.65	17.85	18.25	1.22
1700	17.26	17.88	18.26	1.22
1730	16.65	17.73	18.12	1.22
1800	16.65	17.55	17.88	1.22
1830	16.65	17.46	17.76	1.22
1900	18.65	17.45	17.74	1.22
1930	16.65	17.45	17.74	1.22
2000	18.27	15.78	16.08	1.22
2030	10.32	15.78	19.08	1.22
2100	10.35	10.38	10.38	0.00
2130	21.25	17.45	17.74	1.22
2200	21.25	17.45	17.74	1.22
2230	21.26	24.89	25.18	1.22
2300	17.94	24.89	25.18	1.22
2330	15.38	16.99	17.29	1.22
2400	15.62	15.76	16.08	1.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC and the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6768 between 8.30am and 5.15pm Monday to Friday.